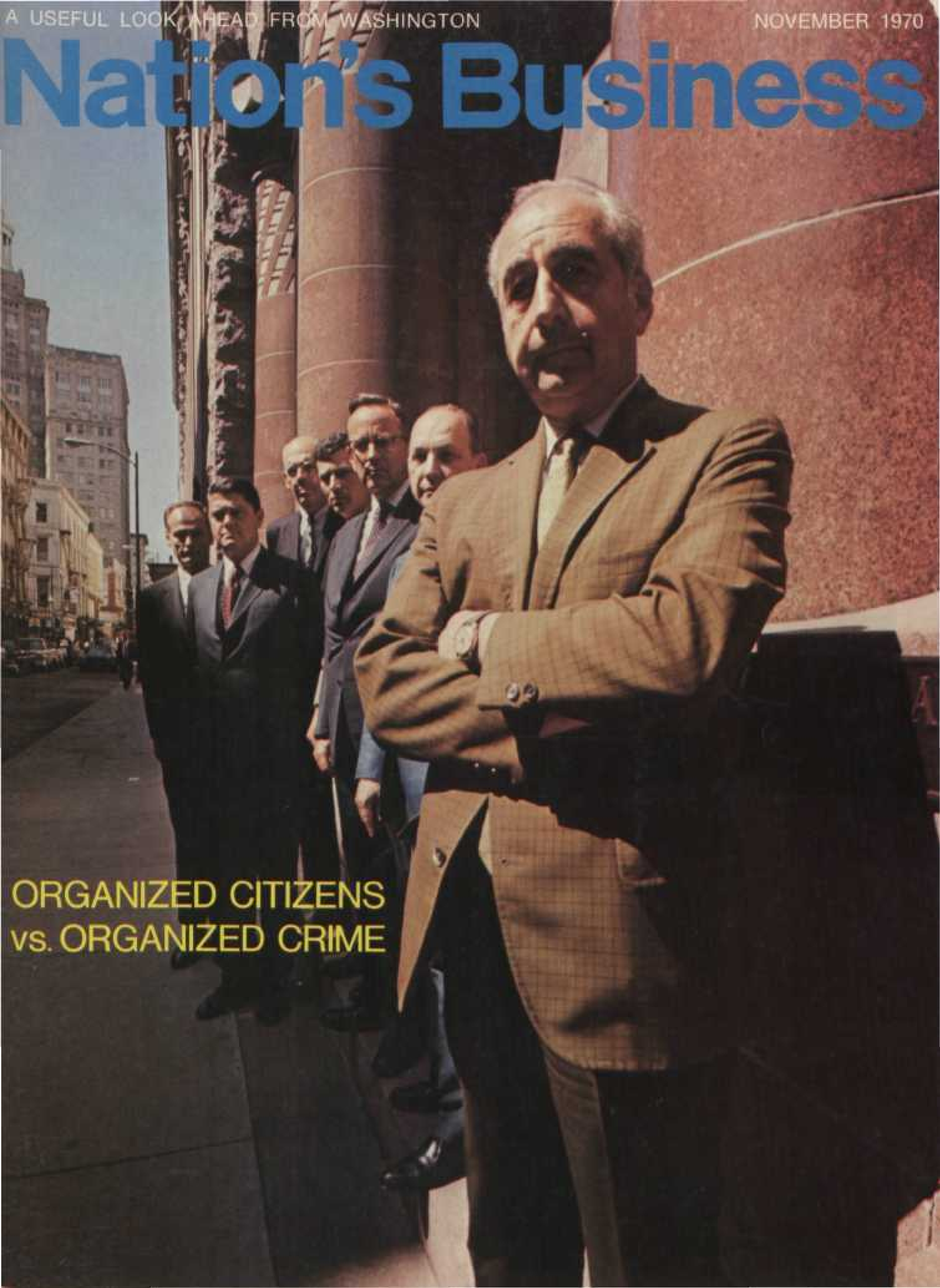
A USEFUL LOOK AHEAD FROM WASHINGTON

NOVEMBER 1970

Nation's Business



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vs. ORGANIZED CRIME

86 Proof Blended Scotch Whisky. Paddington Corp., N.Y. 10020

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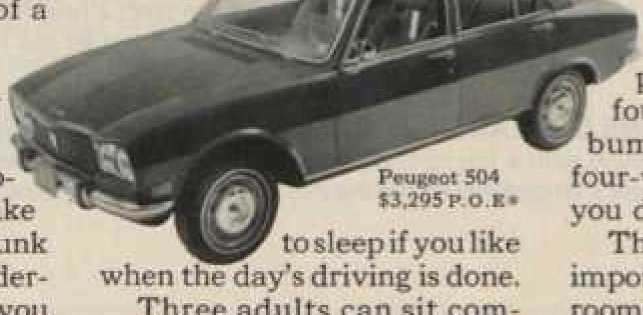
The front bucket seats are fully reclining, so you can stretch out –even go to sleep if you like when the day's driving is done.



Peugeot 504
$3,295 P.O.E.*

Three adults can sit comfortably in back. Or, put the armrest down and you've got two luxurious lounge chairs.

But all this spaciousness would be for nothing if the car didn't have a comfortable ride. That's why the Peugeot 504 has independent suspension on all four wheels—to soak up the bumps and potholes; and four-wheel disc brakes to slow you down quickly but gently.

The Peugeot 504—it's one import that thinks comfort and roominess is important.

For more information write Peugeot, Inc., P.O. Box 161, Clifton, New Jersey 07014.

*Suggested price. Local taxes and other dealer delivery charges, if any, additional.

Peugeot 304 $2,425 P.O.E.*

Peugeot Keeps the road from getting to you.

PEUGEOT SALES & SERVICE NATIONWIDE

Nation's Business

Cover photograph of New Orleans Crime Commission by John Messina, from Black Star

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MEMO FROM THE EDITOR

Nation's Business
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Washington, D.C. 20006

If you think of Woodstock as the scene of the great rock festival, you have plenty of company. There's even a movie now about that "happening."

That was Woodstock, N. Y. Now another Woodstock —this one in Vermont—should also be worthy of being remembered, because it was there that a band of 15 businessmen and an equal number of experts recently began a study that may have lasting effects on our country's health care system.

It's appropriate that businessmen would take an interest in this, since business as a whole is the largest single purchaser of health care in the country. Each year you spend around $12 billion for health insurance and other medical and hospital benefits for yourselves and your employees.

So the Chamber of Commerce of the United States formed a special committee on the nation's health care needs. It's made up of top-rung corporate executives selected not for their knowledge of health care, but for their ability to take new problems, analyze them and come up with sensible solutions.

Working with the committee are four task forces which *are* made up of experts in the medical, hospital, nursing and other health fields.

The purpose: To think through all the ramifications of the nation's health care system as it exists today. Committee and task force members will be looking at ways to improve the delivery of health services which will preserve the advantages of freedom of choice for both those who use and those who deliver the services.

Obviously, the question of health care has been a national issue for several years. As much as two years ago the National Chamber's Council on Trends and Perspective issued a report warning that this issue would grow in importance throughout the Seventies. The demand for health care has been changing drastically as well as increasing at an amazing rate. The whole situation has been complicated by the passage of Medicare and Medicaid legislation in the past few years.

Without prejudging the committee's study, it's clear that great changes will be needed. We usually get well quicker when we're sick nowadays, but it costs a whole lot more. We have better doctors, but not enough of them. We have excellent hospitals, but they're often hard to get into.

As usual, many people are ready to "shoot from the hip" with new solutions. Of course, the most frequent suggestion is a massive transfusion of federal money.

There are proposals now that would in effect nationalize our health care system—which some people feel would destroy it so that it could be reconstructed to the liking of those who would have everything free for everybody.

Actually, nobody has to do without medical or hospital care for lack of money. But the cost of caring for those who can't pay is loaded on those who can.

That's only a sample of the ramifications of the problems the task forces and the committee will be studying. They hope to develop constructive recommendations. I'll bet in advance they don't conclude that it can all be solved with money.

• • •

Speaking of money, the great debate on inflation hasn't cooled much, whether the inflation has or not.

And you still hear suggestions that the government should get into the business of controlling wages and prices, at least on a so-called voluntary basis. Some businessmen are still suggesting this themselves.

Well, Canada tried it this year. And it turned out to be a complete mess. The businessmen especially got burned because they tried to cooperate and labor didn't.

For an on-the-spot, in-depth report see the article on page 68 by Associate Editor Grover Heiman.

You might also take a moment to look at the chart below. It demonstrates what inflation has done to our dollars.

PURCHASING POWER OF THE DOLLAR

Read down for value equivalent to 100¢ in various years

1900	100¢						
1910	83¢	100¢					
1920	40¢	47¢	100¢				
1930	47¢	57¢	120¢	100¢			
1940	57¢	68¢	143¢	119¢	100¢		
1950	33¢	39¢	83¢	69¢	58¢	100¢	
1960	27¢	32¢	68¢	56¢	47¢	81¢	100¢
1970	20¢	24¢	52¢	43¢	36¢	62¢	76¢

Data: Bureau of Labor Statistics and
Federal Reserve Bank of New York

And don't miss "Those Powerful Powder Puff Executives" on page 80. Some mighty pretty pictures.

Jack Wooldridge

LETTERS

WHICH WAY ON HIGHWAYS?

• "Battle Over the Driver's Dollar" [September] highlights the many attempts to use tax money paid by highway users for nonhighway purposes; the issue deserves discussion because some time-honored principles of highway taxation are seriously threatened.

We in the Wisconsin Division of the American Automobile Association agree with the comment by Carlos C. Villarreal, urban mass transit administrator, that "Public transportation is really everybody's responsibility. Local communities should begin to consider it on the same basis as they do their fire or police departments." The implication to us is clear: Public transportation should be financed, if a subsidy is needed, through general funds, not by taxing highway users alone.

As Mr. Villarreal pointed out, large numbers of people in this country do not own or drive automobiles and depend on public transportation. They include the elderly, the sick, the handicapped, the poor and the very young.

The AAA supports President Nixon's proposed $10 billion mass transit program over a 12-year period, financed by general funds.

We disagree with the president of the American Transit Association who believes that many public transportation needs "can best be met from the Highway Trust Fund." Simply because the Fund has a steady flow of taxes taken from motorists does not justify its use for public transportation or for any other purpose. The American Transit Association view is patently self-serving.

The Highway Trust Fund was established in 1956, and motorists have willingly paid four cents a gallon federal gasoline tax to support the Fund. It was based on "trust"—that the money paid would actually be used to build and improve our highways.

To raid the Fund now would be to gouge it of its "trust" and would be a serious breach of faith with the motorists.

STUART B. WRIGHT
General Manager
Wisconsin Division, American Automobile Association
Madison, Wis.

• Some of Mr. Villarreal's comments might be argued with. Automobiles don't necessarily "choke" cities and average speeds in cities are much closer to 20 mph, not the "five" he said. That's commuting speed, by the way. And by comparison the number of people who don't drive or otherwise use automotive transportation is miniscule. Over 95 per cent of the

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How would you like to have the best work force in your field?

*Read on–
in Florida we can
show you how to
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performance...
productivity!***

The sun may get in your eyes . . . your view might be obscured by the palm trees—but it's still a fact that Florida can put in your plant *the best work force you ever had!*

Imagine what that would do for your business. Here's why Florida can deliver:

- We can out-recruit anyone for skilled labor. We'll show you proof of 10-to-1 superiority in competitive recruitment.
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Florida is a great place to work and live—one vacation proves that. But won't you let us reveal the hidden profit potential in Florida's remarkable labor picture? Just phone (904)224-1215 or write in confidence.

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107 WEST GAINES STREET
TALLAHASSEE, FLORIDA 32304

total population qualifies as "highway users," either as car owners, drivers or passengers.

Mr. Villarreal is right if he includes freeways and other modern urban roads when he says that an "effective transportation system . . . can help reverse deterioration of downtown business areas, increase real estate values, bring in more customers, create more jobs and stimulate construction." But somehow I don't think he meant to include highways in that statement.

J. C. MARTIN
Public Relations Department
Highway Users Federation for Safety and Mobility
Washington, D. C.

• Candidly, I am just a little tired of hearing that there is a "highway lobby" that is out to make off with billions of dollars of tax funds that should rightfully (?) go for other things.

Before the Highway Trust Fund was established, all federal aid to highways came from the General Fund. The implementation of the Trust Fund in the mid-1950s had a dual purpose: To relieve the General Fund from supporting federal-aid highway programs and to finance an accelerated program of constructing a modern, safe Interstate System. The whole bill has been paid by the highway users.

Let's keep the game honest. Let's recognize the dishonesty of the claim that the Trust Fund is a burden on the United States' general treasury. It isn't and never was.

GEORGE M. MYERS
President
National Asphalt Pavement Association
Riverdale, Md.

• The facts presented reveal the need for a remedy from our leaders soon. The information that the number of motor vehicles has doubled in the last two decades should be alarming enough to trigger drastic action by Congress now.

Increasing the gasoline tax by 10 cents per gallon would serve to reduce the attractiveness of automobile travel. The realized tax revenue could be used to strengthen the natural competitor of the auto, rapid transit, and help pay for research to reduce pollution caused by the automobile use.

An ecology tax applied now and removed after 10 years would help finance remedial measures for some of the side effects of our low cost auto travel which are adverse to our environment.

ALEXANDER PALOS
Camarillo, Calif.

Psychiatry and industry

• Re "Panorama of the Nation's Business" [August].

We psychiatrists who routinely and regularly consult with management about the very serious problem of alcoholism, drug addiction and mental illness in industry have recognized the excellent job Pitney-Bowes, Inc., has done with its program.

Many a new approach is necessary before this problem will be under control. Certainly, requirements for skilled management and psychiatric people in industry will grow enormously in the next few years.

MYRON H. MARSHALL, M.D.
President
M. H. Marshall Associates, Ltd.
Williamsville, N. Y.

Getting government dollars

• We feel we are in a rather unique position to comment on the "Panorama" article "Business Bridges a Government Gap" [October] regarding an automated federal information system. Particularly since one of the states mentioned, Wisconsin, is using Applied Urbanetics' AID System to obtain this information, after having previously explored other available systems.

Response to the AID System by states, cities, institutions and businesses indicates the problem is real. The maze of federal assistance programs is proliferating and changing so rapidly that manual information systems simply can't handle the load effectively.

ALAN T. PALLER
Vice President
Applied Urbanetics, Inc.
Washington, D. C.

Lee and Jackson honored

• Your readers might like to know of Virginia's additional long weekend. Our legislature added the third Monday in January to observe Lee-Jackson Day in honor of two famous sons, Robert E. Lee and Stonewall Jackson.

Virginia will observe Confederate Memorial Day the last Monday in May, not in April as stated in your article, "It's Time to Plan for Those Stretched Weekends" [September].

IRBY N. HOLLANS JR.
Director Activities-Public Relations
Virginia State Chamber of Commerce
Richmond, Va.

companies that'll sell you a one calculator company.

In the beginning, Monroe made calculators. As far back as 1912.

Today, the world of calculators is full of a multitude of new names. Selling a multitude of new products.

In fact, there are over 50 companies that are hungry to sell you over 240 different models.

Trouble is, if you need more than one model you usually have to go to more than one company.

Unless you go to the Calculator Company in the first place.

You see, we have more models than anyone else in the business. Including 13 new electronic calculators for business and science introduced in the past year. So the chances are we can fill all your needs.

We also have more offices in more cities. 350 cities to be exact. Where you can get same-day service.

Most important, we have more salesmen and servicemen. Our force of over 3,000 Monroe men does nothing but sell and service our calculators.

Which means they have more time to get to know our product. And your business.

We're the Calculator Company.

Nothing more. Nothing less.

Monroe.
The Calculator Company

LITTON

EXECUTIVE TRENDS

- If the ax must fall
- Why Japanese thrive
- Planning a firm's move
- Surviving winter driving

BY JOHN COSTELLO
Associate Editor

Helping hand for the displaced exec

Bill Smith, 49, is an experienced, highly skilled executive.

He spent all his working life with a small firm, XYZ Corp. In 25 years, he rose from trainee to division chief.

Then XYZ Corp. merged. Result: Too many division chiefs.

Somehow, Bill lost out in the shuffle. Now he's out of a job.

"Despite a really solid career, and valuable skills, Bill doesn't know how to sell himself," says O. William Battalia, of Battalia, Lotz and Associates, Inc.

"And his old company hates to see him flounder. It's bad for morale—and the company image.

"Many companies today wince when they must 'can' a man who has helped lead them for years. And a generous cash settlement often isn't enough to ease the corporate conscience.

"That's why we started our Executive Transition Program."

The New York-based management consultant firm offers the program to companies only—not individuals.

Its goal is to place the displaced executive in the best possible position in the shortest possible time. It starts with corporate consultation before the ax falls, then goes on to career guidance for the victim, and help in resumé preparation and in negotiations with new employers.

The firm concedes it can't guarantee placement.

"But we sure can help the man help himself at a time when 'a feller really needs a friend.' "

Secrets of success: Japan, Inc.

Japan's GNP grew, in the '50s, at a real annual rate of 9 per cent.

In the '60s, the rate rose to 10 per cent—plus.

Now, it's even higher.

By the mid-1970s, Japan's per capita annual income probably will pass present U. S. levels.

By 1980, its output will top that of all the Common Market countries put together.

Yet 25 years ago, most of its major cities were rubble.

In a nutshell, that's Japan's recent past and its outlook for tomorrow, says a new book, "Business Strategies for Japan," ($8) published by Sophia University, Tokyo.

The work's authors are members of the Boston Consulting Group, a management guidance firm which operates in Japan and the United States.

What makes business grow like a weed in Japan?

That's the question the book sets out to answer.

It offers some searching insights into U. S. executives' No. 1 foreign competitor during the next decade—Japan, Inc.

Here's one of the key reasons for Japan's success, the authors say:

"There is a basic assumption that the objectives of government and business are essentially the same—the maintenance of Japan's economic health and promotion of the nation's success.

"It is perhaps no great exaggeration to suggest that a contrary assumption is made in the United States and elsewhere in the West—that somehow the objectives of government and business are inimicable, and that it is the responsibility of government to protect its constituents from the ravages of the business community."

This "view of conflicting objectives, with government and business basically at odds," the authors say, is

AMERIC
THE BLIN

Wake up, America.
What you don't see hurts you. Like millions of dollars of mistakes caused by bad office lighting.

The high cost of an eraser.

She needs 100 or more footcandles of light.* What are you giving her?

If you have a heart of gold and aren't disturbed by your typists' typos—then consider that the cost of a dictated business letter just went up to $3.05. And every time it's retyped, it's an extra $2.05. Now let's go into your accounting department.

How much do you figure you lose every year with all those typos that never get retyped? A little scary, isn't it?

Every year, millions of dollars are lost in mistakes which are simply blamed on human error. But the reason behind the error might be found in your ceiling. Ever thought of that?

What price a new lamp?

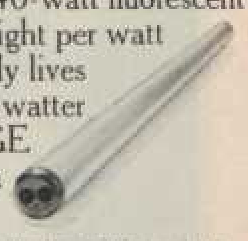
The facts are that increased lighting levels alone can increase productivity from 4 to 8%. Care to figure that out in hard, cold cash?

Office workers respond to modern, bright surroundings. They work more efficiently and more accurately. It makes a happier and cheerier working atmosphere.

How to be a smart light buyer.

First, buy a lamp for its light—but don't forget all the other things that are from two to 20 times more expensive than the lamp itself. Consider its running cost. And the cost of maintaining it. Then see us.

General Electric has just the lamp a smart light buyer like you wants. For example, we have a 40-watt fluorescent that not only gives more light per watt than all others, but actually lives longer. And no other 40-watter costs less to run. It's our GE Mainlighter.** And it's a bargain.



The GE Mainlighter. More light for less dollars.

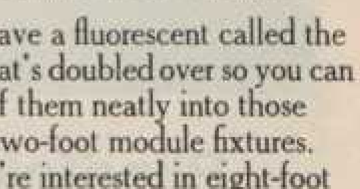
This office can see what it's doing. There's less fatigue. Fewer mistakes.

We even have a fluorescent called the Mod-U-Line† that's doubled over so you can fit two or three of them neatly into those modern two-by-two-foot module fixtures.

And if you're interested in eight-foot fluorescents—we have the world's brightest. The GE Power Groove.® It actually gives you the equivalent of nine feet of light from an eight-foot tube. It's like getting an extra fluorescent free with every eight you buy.

Have a good look at your office ceiling soon. If it looks a little sad—see us.

We have the right light for it.



The GE Power Groove. Brightest eight-footer ever. And the GE Mod-U-Line. Gets into places others can't.

General Electric—so America can see.

GENERAL ELECTRIC

*Illuminating Engineering Society.
**Trademark of the General Electric Company.
†Trademark of the General Electric Co. Made in West Germany.

EXECUTIVE TRENDS

continued

Greek to Japan. There, the two are hand in glove—not cats and dogs.

When your firm is making a move

It's a headache, many corporate executives cry.

"Sure it is," one expert agrees.

"And the reason is that most moves are planned by amateurs."

Pulling up stakes and relocating doesn't happen often. "Chances are, few if any denizens of the executive suite have ever planned or overseen a move," says LCP Associates, Inc.

The New York space planning and design firm offers a unique service for those who haven't. It's called Relocation Analysis and covers key facts often never probed.

Before you decide to move, the company says, ask yourself: Is the move necessary? If the answer is Yes, it adds, then get the answers at least to these questions:

- What is the true cost of the space offered?

For example, what's the maintenance cost, and is electricity an extra that's tacked on to the rent? In addition, check on air-conditioning charges. Some buildings stick you extra, if you need it in off-hours.

- How close is the new location to public transportation?
- Are the core walls clear—or will corridors restrict your use of space?
- What kind of access will you have to elevators and toilets? Both factors strongly affect space planning and flexibility.
- Does column spacing allow large enough areas for the board room and other special facilities?
- What does the building look like—outside and inside, including the lobby?
- How much alteration will you have to do, and how much will that run up space costs?
- What will your needs be three or five years from now?

"Those are not all the questions you should ask," the company says.

"But if you get answers to those, you'll avoid some of the major pitfalls."


She Keeps the King in Stitches
(and the garment business in riches)
She is a seamstress, working year-round on the costumes for New Orleans Mardi Gras kings-for-a-day. Others just as skilled as she make up the labor force that threads the needles for Louisiana's bustling, profitable garment industry.
She is a major attraction for garment manufacturers, but there are other considerations. Louisiana will, for instance, train new workers free and also help out with low-cost bond financing for a plant tailored to your requirements. In short, we'll treat you royally.
Something for you...
For more about your profit potential in our state, write for our factual color brochure, "Louisiana's Big Six Industrial Advantages," care of William T. Hackett, Jr., Executive Director, Department of Commerce and Industry, Div. 211, P. O. Box 44185, Baton Rouge, Louisiana 70804, (504) 389-5371.
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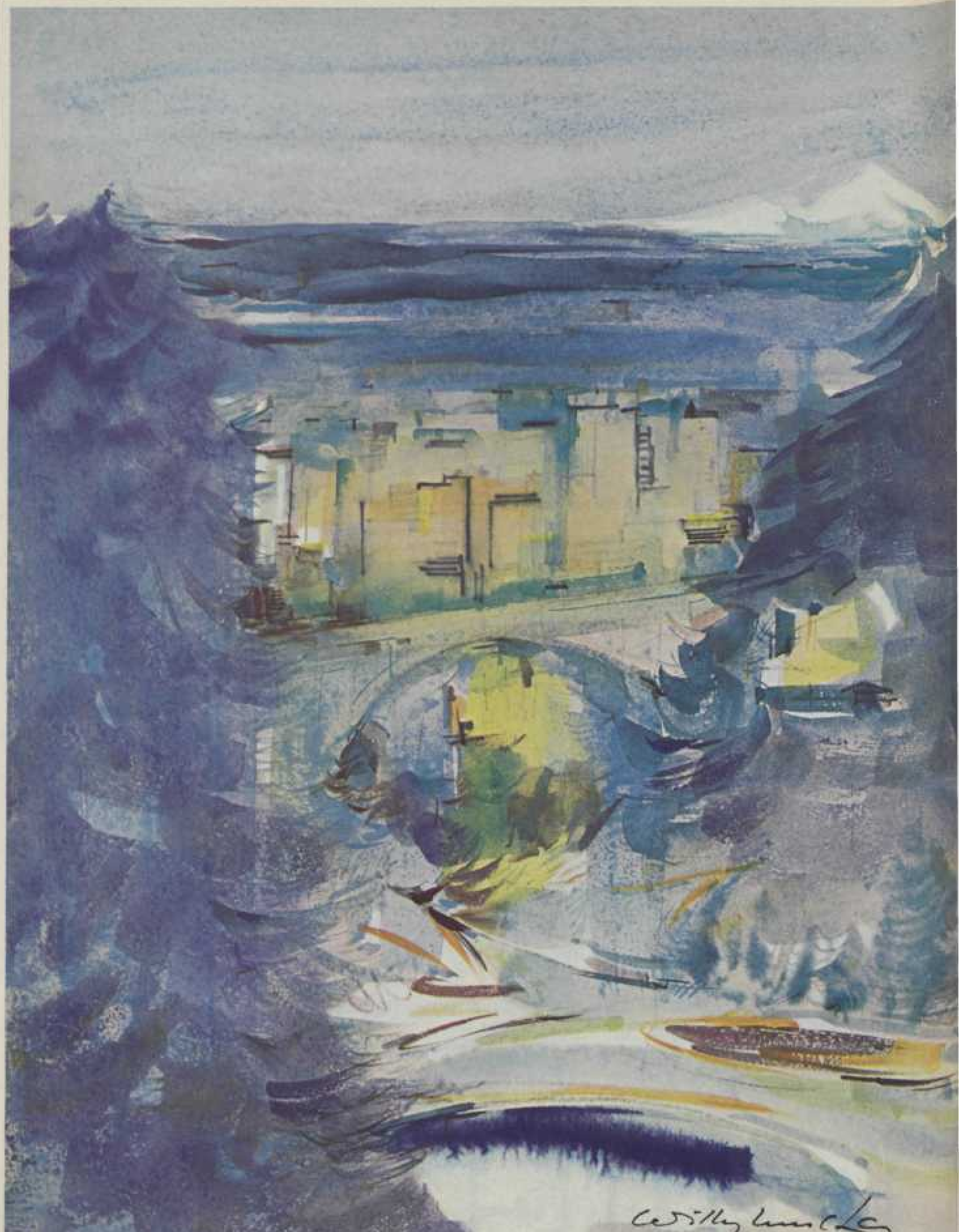

EXECUTIVE TRENDS

continued

Solving your city's problems

Shoppers in Fitchburg, Mass., know how to get their money's worth.

Or they should.

The local Chamber of Commerce sponsors a popular 10-session seminar that teaches them how.

It's just one of a long list of successful urban programs involving businessmen. The Chamber of Commerce of the United States logs 148 of them in its new booklet, "Where the Action Is."

They range from how to protect your business during civil disorders to how to solve pollution and urban transportation problems.

Looking for ideas and information on how to meet some of the challenging problems facing your town? Like consumer aid, crime control, equal opportunity, government modernization, minority enterprise or providing jobs for young people?

Then this is a highly useful handbook for you.

Cost: $2 each for one to nine copies; $1.60 for 10 to 99; $1.40 for 100 or more. Order postpaid from the Chamber of Commerce of the United States, Washington, D. C. 20006.

Before casting off, chart your course

And let others know what it is.

Too many executives turned sailor don't, a leading marine insurer says.

"If they did," Marine Office-Appleton & Cox Corp. contends, "they'd be safer.

"The skipper should make a 'float plan,' just like a pilot makes a flight plan.

"It should say when he's leaving, where he's going, when he'll get there and what course he'll take. And it should have a description of his craft."

Leave the float plan with a friend or relative, it urges. Then, if the craft's overdue, the holder can contact the Coast Guard and ask for a quick check.

"Our files have lots of letters from yachtsmen whose lives and property were saved because a float plan gave rescuers a head start at finding them," it says.

The longer the trip, the greater the need for one.

"Boating's in with the executive set," the company says. "Skippers are spending more money on their craft, and taking longer trips."

Once they island-hopped along the coast, or took short weekend trips. "Now, in the East," it adds, "a jaunt to the Caribbean or to a Southern port is common."

How to buy or sell a business

It can be tricky—and it requires planning.

But a lot of people rush into transactions without doing their homework, the Bank of America says. "They arrive at their decision guided more by emotion than logic."

One key question is how much to pay for it—or how much to sell it for.

The bank offers this formula:

1. Add up all current and long-term assets. Then deduct total liabilities.

2. Estimate how much you could earn with an equal amount if you invested it elsewhere.

3. Add to this a salary normal for an owner-operator.

4. Write down the business' average earnings over the past few years, before income taxes.

The trend of earnings is a key factor here. Have they been rising steadily, falling steadily, remaining constant, or fluctuating widely?

5. Now, subtract items two and three from item four. This gives you the business's extra earning power.

6. Estimate its intangible value.

You do that by multiplying its extra earning power.

If the business is well-established, has a valuable name, patents or location, multiply by five or more, the bank says. For a moderately seasoned firm, multiply by three. For a younger firm, don't multiply at all.

Finally, adding items one and six gives you the price.

This formula won't work in all cases, the bank adds.

But it gives you a ball-park estimate of fair market value.

The great land rush of the 1970's is on!

It's on in Penelec territory where completion of Interstate 80 . . . the Keystone Shortway . . . has just opened up a lot more than the fastest route between New York and Chicago. It has also turned thousands of farm and woodland acres into inexpensive plant sites. Penelec territory also offers a pool of skilled and semi-skilled labor with a long record of excellent labor relations. Plus low cost 100% financing on plant construction. But the rush for sites has already started. If you'd like to consider the advantages of Penelec territory, do it now. While prime sites still go for a song. Contact Ernest L. Petersen, Director System Economic Emphasis Department. Call (814) 536-6611 today or write to him at Penelec, 1001 Broad Street, Johnstown, Pa. 15907.

PENELEC

PENNSYLVANIA ELECTRIC COMPANY
A Subsidiary of General Public Utilities Corporation

How to drive in winter and stay alive

It's after dark.

You're in a hurry to get home. But there's snow on the road.

So you drive "safely"—40 instead of the 50 mile an hour limit.

That's not slow enough, Research Institute of America says. If you'd drive 50 on the road when it's dry, stay at 25 when it's icy. And that's with chains.

Drive 15 miles per hour without them, RIA advises.

About 53,000 Americans are killed in auto accidents each year. And snow and ice present special hazards, the Institute points out. Here are some tips it offers for winter survival behind the wheel:

• Allow more distance for stopping.

It takes almost 10 times as long to stop on icy roads as on dry concrete. Reinforced chains or studded snow tires will stop you quickest. Standard snow tires work O.K., but ordinary tires don't.

At 20 miles per hour, chains will stop your car in 80 feet on ice. On ordinary tires, you may slide 165 feet before coming to a halt.

• Pump the brakes, don't slam 'em.

Hitting the brakes hard will throw the car into a skid.

• Start slowly—and keep going.

Keep a light foot on the gas, leave extra space between yourself and the car ahead and don't stop unless you must. On a slick surface, you'll have trouble starting again.

• Take curves slowly.

On an icy road, steering is tricky. Slow down more than usual before entering a curve, and creep around sharp ones. Turn the wheel very gradually, or you may go into a spin.

• Be extra careful on a hill.

Stay far behind the car ahead so you can speed up some as you near the hill. You'll need the extra momentum. Keep even pressure on the gas pedal as you climb. You'll lose some speed, but your tires will grip better.

Before going down, slow down. Then put the car in second. In low, there's more chance of a skid. To reduce speed further, pump the brakes.

RIA knocks one winter driving practice some motorists follow. Don't put extra weight in the trunk, it advises. A 100-pound bag of sand will give your rear wheels better traction, but it may make the front end rise and make steering harder.

Woman's place is in the what?

Steel mills, among other places.

Republic Steel has employed women in mills for a long time. Some run cranes and perform other tasks once thought a male preserve.

That's not all, predicts Robert G. Welch, president, Steel Service Center Institute.

In five years, 80 per cent of the inside salesmen at steel service centers will be women.

Today, they fill only about 1 per cent of those jobs.

Mr. Welch is not unhappy about the trend.

"Women," he says, "average 1½ years more education than men. And there are more of them.

"In the tight labor market foreseeable ahead, they're one of the most important untapped—or relatively untapped—sources of manpower."

Anytime an industry agrees you can be sure everyone's

What the video tape recorder industry agreed on was a standardized recording format for all ½" video tape recorders.

And the idea up everyone's sleeve was to let you play anyone's ½" video tape on anyone's ½" video tape recorder. Which you couldn't do before.

Panasonic was instrumental in getting the VTR manufacturers to agree on one standard. And with this new standard, video tape becomes an even more beautiful tool for business. Whether you use it for training, field reports, communications, quality control or surveillance. Because video tape will still be easier to work with than film. And do things film can't do. Like instant replay, so you can see whether you've taped what you wanted to tape. And see it right away. Another advantage of video tape is that you can use it over and over again. And you don't have to send it away to a lab for a couple of weeks to be developed. And it's very economical.

What the new standard adds to the beauty of video tape is obsolescence insurance. Because the new standard is a decision, not an experiment. Your tapes will be as playable years from now as they are today.

Because of the new standard, you'll even be able to send your tapes to colleagues who aren't lucky enough to have a Panasonic VTR. Although there's no reason why they shouldn't. Because we've got all kinds of models

on anything, got something up his sleeve.

from Simon simple to quite sophisticated. Depending on your need.

The reasons for getting a Panasonic VTR are simple. We're way ahead of our competition because we've been working on the new standard a long time. And because we make everything we make. All by ourselves. From parts to finish.

For instance, our NV-3020SD not only has the new standard. It also has editing and slow motion. For less than $1000!

But that's not the only thing. You also get our exclusive Hot Pressed Ferrite recording heads. That give you twice the recording life of ordinary heads. And just about as much improvement in fidelity. And a lot of other technological innovations that make it easier for you to work with video tape.

If you think the NV-3020SD sounds beautiful, wait till you see our basic black and white model, NV-3020. With some very unbasic extras like the new standard, automatic tape shutoff, automatic dubbing and stop action.

Or our color and black and white model. The NV-3020C. Which not only has the new standard. But is also the only color ½" VTR directly recording and playing back NTSC color signals. (Previously available only in high-priced 1" VTR.)

Then there's our portable VTR, the NV-3080. You can take it on business junkets or field investigations and not feel burdened. Because the complete outfit, camera (WV-8080) and all, weighs less than other portables. And also costs less.

Whichever Panasonic 3000 series VTR you get, the tapes you make won't become obsolete. And neither will the machines. Because the new standard is it.

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BY VERNON LOUVIERE
Associate Editor

Continental Oil's Symbol Success

Ever wonder what a company goes through to change its corporate identity symbol?

As Continental Oil Co. has found, it involves a lot of time, money, testing and soul-searching.

For 50 years Conoco's first symbol—a Continental soldier standing stalwart guard over a yellow circle—was a familiar sight in the Rocky Mountain area. But in 1929 Conoco merged with the Marland Oil Co., whose red triangle had become equally familiar in the 15 states it served.

No particular problem: The name "Conoco" was inserted across the bar of the Marland red triangle. For 40 years this has been Conoco's corporate identity.

In the Sixties, the company grew from an essentially domestic marketer of petroleum and chemical products into an energy and resources concern with sales reaching the $2.5 billion mark, and with operations spread over 40 countries.

A corporate symbol born of research and soul-searching.

During these years of growth and acquisition Conoco decided a new corporate symbol was needed. In 1968, it retained Sandgren & Murtha, a New York industrial design firm which had helped solve similar identification problems for a number of major corporations.

The first decision was not to change the company's name—it was already so well known. Sandgren & Murtha then evaluated samples of the millions of pieces of printed materials Conoco distributes. It analyzed existing graphic forms and reviewed new ones. Some eight months and 100 designs later, management settled on the new symbol.

The designers had found that with a slight molding of the "N" the entire word "Conoco" could be reduced to three "O's" and three "magnets." This unique lettering, in turn, was framed by a capsule-shaped border, and the colors red and white agreed upon. A new corporate symbol was born.

Opinion research teams fanned out into five areas within Conoco's marketing regions and five outside. Some 2,200 people were shown the old and new symbols. The new Conoco capsule won hands down.

"The design is distinctive, strong and modern—like Conoco people," says Conoco President John McLean. "Our new identification, with its bright and pleasing design, typifies the energy and enthusiasm that is characteristic of the people of Conoco everywhere."

Industry Answers a Governor's Challenge

Gov. Tom McCall of Oregon had an idea how he might reduce the costs of state government and at the same time improve its performance: Borrow outside talent.

Last year, he invited 20 Oregon companies each to donate the services of one executive for one year. All readily responded. The 20 executives were assembled under a new "Management '70s Task Force" and immediately set out to see if proven private industry techniques would work as effectively in government.

Now, a year later, the results of that challenge are being assessed. Preliminary indications are that these 20 men have succeeded in slashing state expenses from $25 million to $30 million over the next two years.

"The success achieved by the task force in generating economies and improving the performance of state government has far surpassed my expectations," Gov. McCall told NATION'S BUSINESS. "This contribution by Oregon industry will reap dividends for years to come."

The task force was broken down into teams of one, two or three men who worked side by side with civil servants in what amounted to a reorganization of the government.

One industrial representative was Wilmer B. Morrow, secretary of the Hyster Co. of Portland, world-wide manufacturers of lift trucks and heavy equipment trailers.

"I was impressed with the willingness of the state people to do their jobs, although they are sometimes misdirected," Mr. Morrow says. "I developed some close friendships, even though there were times we had to recommend major changes in the way some departments were run."

While other Governors have tried the task force approach to better government, Oregon is believed to be the only state which sought a full year's service from the participants. This created, among other things, a sense of confidence on the part of state employees. They could appreciate what the outsiders were trying to achieve.

For Oregon, it was an excellent investment. Gov. McCall says it would have cost the state at least $500,000 to hire such talent. He got it free and saved the state millions to boot.

continued on next page

Center of attention at a Brooklyn school: New York Jets Center John Schmitt.

Athletes Score With Youngsters

There are two Dick Butkuses. One is the star middle linebacker for the Chicago Bears who spends Sunday afternoons slashing out at enemy ball carriers. The other is a gentle, big-hearted man who likes to work with kids.

Dick Butkus is one of a number of professional athletes who give time to youngsters, encouraging them to remain in school and get an education, under an Owens-Corning Fiberglas Corp. program called "Youth Drop-Ins."

Now in its second year, the program has been brought to thousands of youngsters in schools and youth centers around the country.

"We chose athletics as a 'bridge' to youth for two reasons," explains William W. Boeschenstein, Owens-Corning executive vice president. "First, sports teaches the important lessons of teamwork, determination, conditioning and sportsmanship. The second reason is the athlete himself. The pros are articulate, convincing spokesmen. They're excellent ambassadors to youth because youngsters look up to them and respect what they say."

The pro stars run football clinics, show game films and discuss the value of education.

More important, they show kids that somebody cares.

"I know I reached some of those boys today," Paul Robinson, ace halfback for the Cincinnati Bengals, remarked after visiting the Boys' Correction Home in Indianapolis, Ind. "They'll listen to me because I speak their language and they know I've been there. This kind of work gives me great satisfaction."

Some of the athletes are employed by Owens-Corning in sales promotion, but the Drop-In program is extracurricular for them. Mr. Boeschenstein stresses that the program is entirely public service, and in no way sales-oriented.

Andy Robustelli, nine times All Pro defensive end with the New York Giants and Los Angeles Rams, is president of National Professional Athletes, Inc., which recruits pro stars for Owens-Corning. He says:

"The public, especially the business community, has come to realize that the professional athlete has brains as well as brawn, and is making profitable use of his combined talents in both sports and business."

Eastman Employees Focus on Investments

The news out of Wall Street over the past year may have discouraged many small investors, but not those at Eastman Kodak who participate in a company-sponsored program.

The Eastman Employees' Savings and Investment Plan, which has just marked its tenth anniversary, is a sort of in-house mutual fund for employees who wish to invest annual profit-sharing wage dividends from the company in stocks and other securities.

After the 1969 profit-sharing dividend was announced, more than 22,000 Kodak employees voted to put $20,606,000 in SIP, bringing the total of such investments to some $146 million since SIP was originally set up in 1960.

"Like a variety of profit-sharing and matching investment programs in industry, SIP offers certain tax advantages," says J. Donald Fewster, Kodak treasurer and chairman of a five-man committee administering the plan.

"It gives an employee an option within the wage dividend program: He can select the cash wage dividend payment, he can have the company deposit it for investment in SIP for him, or he can select various combinations of both."

Mr. Fewster explains that a principal feature of the plan is that the employee does not pay federal income tax on the money at the time it is contributed by the company. The tax is imposed only when funds are withdrawn.

SIP is actually one of two long-range investment programs available to Kodak workers. The other is Invest-accounts, sponsored by Quinby & Co., of Rochester, N. Y., Eastman's home town, which offers employees a means of investing in their company's stock through payroll deductions.

Under SIP an employee can invest in any of three funds. Fund A consists of Eastman Kodak common stock and short-term U. S. government securities. Fund B includes a number of preferred and common stocks and fixed-interest-bearing securities. Fund C is invested solely in U. S. government securities.

Fund A, offering Kodak common stock, has been the most popular. Employees who invested $1,000 in each of the 10 years since SIP's founding were able to watch their investment grow to $16,618. The same investment in Fund B, on the other hand, grew only to $10,848. In Fund C it came to $11,293.

"This program is the greatest thing in the world for Kodak people looking toward the future," says Louis Grace, a retired production worker. "I only wish I could have put some of my own money into it as well."

Pitney-Bowes knows you'd settle down if you could just meet the right copier.

You've been through them all. Wet and dry. Big and small. Famous and obscure.

Your first experience—when you were barely old enough to make copies—was with a wet copier. And you soon got tired of cleaning up the mess.

Along about then you met a nice, serious copier. And you thought "this is it." Until the copies began to fade and turn brown.

Then you went through a "flashy" stage. You got a razzle-dazzle copier, bulging with exotic features. It could even copy the shirt off your back. As it turned out, that's what it was costing you in down time.

That's when you decided to go for broke. You brought in that big job. "Overkill." You had to empty out an office to have someplace to install it. Then you worked out at the gym at lunchtime to try to forget what all this was costing you. But that little meter going click, click, click all the time just wouldn't let you forget. And the day the copier jammed and the meter kept clicking—that was the last straw.

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SOUND OFF TO THE EDITOR

SHOULD OUR MAJOR PARTIES CHANGE THEIR NAMES?

Should our major political parties change their names?

Many feel they should. They say philosophical clashes inside the Republican and Democratic parties so fuzz up the meaning of party labels that a realignment is necessary.

They suggest, for example, that conservatives from both parties should form a new Conservative Party and liberals should form a Liberal Party.

Others in the past have suggested an Industrial Party pitted against an Agricultural Party or a Free Enterprise Party versus a Controlled State Party. The idea is to have the parties represent opposing sides of distinct issues.

Proponents of overhauling party labels contend that elections are supposed to be contests between conflicting public policies, but that Republican and Democratic platforms today tend to be practically identical. They say the platforms are carefully worded in vague terms so as not to offend sizable blocs of voters.

Not only do compromises within the parties deprive the voters of a clear choice of views, they say, but internal differences in ideology tend to make each party less effective.

Those favoring the present political arrangement say it does permit contests between true differences of philosophy, and cite the 1964 race between President Johnson and Sen. Barry Goldwater as a shining example.

They say we've thrived under our two party system, and we've been able to keep that system because there's been room for a divergence of views within the parties. America's major parties, they argue, cannot be and should not be pinned down to inflexible positions.

They say the parties are, after all, loose alliances of groups with varying interests, and operate through compromise and consensus.

As for platforms, they say voters usually pay them little attention, and base choices at the polls on candidates' personalities or on impressions of where the parties really stand.

Says one political analyst: "The idea of a 'pure' conservative party and a 'pure' liberal party in America has the same air of unreality as a plan to have a mountain range without valleys or a river without banks."

Should our major parties change their names? What do you think?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should our major parties change their names? ☐ Yes ☐ No

Comments:...

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Name and title.........................

Company...................................

SOUND OFF RESPONSE

A MATTER OF LIFE OR DEATH

Not on your life!

That sums up the attitude of four out of five of the readers who replied to October's "Sound Off to the Editor" question, "Should the Death Penalty Be Abolished?"

The electric chair, the gallows and the gas chamber serve as a deterrent to life-taking crimes, they say, and also eliminate criminals who otherwise would strike again when they get out of prison.

Writes C. G. Wyman, president, The Akron Equipment Co., Akron, Ohio: "People cannot walk or ride in the city at night—Akron included—for fear of robbery or being killed by an amateur thug. If the punishment fits the crime, lawless people would not be multiple offenders."

Failure to carry out executions "is at least partly responsible for the rapid increase in major crimes," says O. B. Ashmore, division head, Dallas Power & Light Co., Dallas, Texas.

James O. Harder, vice president, Homestake Mining Co., Lead, S. Dak., says it's his opinion that the death penalty not only "stops repeaters," but is "an object lesson to all others."

Those "who commit terrible crimes—murder, treason, etc.—would possibly be paroled if given life imprisonment, and commit further crimes," argues Robert G. Hull, treasurer, National Cooperative Refinery Association, McPherson, Kans.

Execution, says S. V. Voris, manager, F. A. Kohler Co., Lima, Ohio, "is still the greatest deterrent possible. All others offer some hope for a reprieve. Life imprisonment is seldom carried out."

There is, writes Ed H. Hieronymus, Styro-Molders Corp. general manager, Colorado Springs, Colo., "only one fear common to all men—death. It's the one penalty all criminals respect."

To repeal the death penalty, says E. A. Mietzner, partner, Farmers Supply Co., Fairfield, Ill., is to grant "a license to kill. Some states have repealed it, and murders are on the increase."

Argues Aldo Esposito, partner in Esposito Beer Distributors, Philadelphia, Pa.: "There should be stiffer penalties for all crimes."

The verdict is by no means unanimous, however.

Writes Herbert L. Hill, manager, The Illinois Co., Inc., Chicago, Ill.: "The death penalty is inhuman, barbaric. It constitutes cruel and unusual punishment which is specifically prohibited by the U. S. Constitution. It has not worked as a deterrent to crime and cannot be justified on the basis that society needs to have revenge. It is un-Christian."

Says Richard A. Scholten, president, Magnets, Inc., Cincinnati, Ohio: "If society kills, it and we are murderers. 'Except for the grace of God, there go I.' A murderer is a victim of circumstances, to some degree at least."

Dale M. Keith, financial analyst with Black & Veatch, Kansas City, Mo., argues: "If there were some way to be sure that 100 per cent of the people put to death for capital crimes were absolutely guilty, then the death penalty would be justified. However, nothing on earth is absolutely perfect. The death penalty should be replaced by life imprisonment with no chance for parole."

Alan Wilkes, chemical engineer, Hooker Chemical Corp., Niagara Falls, N. Y., also argues that "the system is imperfect; there may be errors." He adds: "The cost of keeping convicted murderers in prison is the cost of this imperfection. It must be borne by society."

Asks Thomas R. Felt, of Dain, Kalman & Quail, Minneapolis, Minn.: "Have you noticed, we always seem to execute the poor and ignorant?"

Donald R. McDonald, branch manager, St. Charles Production Credit Association, Montgomery City, Mo., cites the anguish of the condemned as they await the outcome of lengthy appeals. The mental suffering "of the 500 condemned prisoners now on death rows must surely be a punishment worse than death," he says.

J. Dent Farr Jr., brokerage manager, North American Life Assurance Co., Washington, D. C., takes the other side of the death penalty issue and injects an added issue: Reducing the expense of keeping in prison those convicted of lesser crimes. He suggests they be put to work, and adds: "Possibly the prisons should be placed under nongovernment management."

Another pro-death penalty man, W. E. Quicksall, president, W. E. Quicksall and Associates, Inc., New Philadelphia, Ohio, says prison life in general "is not harsh in our country . . . it's more of a permanent vacation away from all responsibilities."

Spectacular crimes currently in the news loom large in the minds of many readers.

"This would be the worst time in our history to abolish the death penalty," says John R. Bise Jr., president, Triopane Gas, Inc., Nashville, Tenn., citing "the rise in bombings, snipings and kidnapings." He adds: "The criminals now get all the sympathy and the victims are soon forgotten."

Cultists who "believe they have a right to kill should have their own lives taken from them upon conviction of murder," writes W. J. Snyder, vice president, Preway, Inc., Wisconsin Rapids, Wisc.

Writes Albert T. Bell, controller, Devcon Corp., Danvers, Mass.: "Most states have the death penalty on their books now. Why isn't it used? It could save a lot of valuable policemen's lives."

Lee Briggs, president, Crane Johnson Co., Inc., Fargo, N. Dak., favors mandatory capital punishment for "those convicted of skyjacking, homicidal arson, bombings, etc." He adds: "Cases calling for this type of trial should have priority in our court system so that the individual charged is either speedily punished or released."

And J. C. Hardie, partner, Industrial Electric Equipment Co., Dallas, Texas, speaks for many in the pro-execution school when he says: "A rotten egg has no value and you can't afford to spend good money and time trying to save it."

This new Swiss electric typewriter is for people who think they can't afford a good electric typewriter.

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*Based on average retail prices.

Organized Citizens vs. Organized Crime

Some time ago a big Louisiana insurance company became curious about the identity of an officer of a business concern for whom it was about to approve a $16 million loan.

In a small, cluttered office on the eleventh floor of the National Bank of Commerce Building in New Orleans, the man's name was on file. In fact, there was a complete dossier on him. He had strong Mafia connections. The loan was turned down.

At 79 W. Monroe St. in Chicago's Loop there is a similar but much larger office where Windy City businessmen, with like curiosity, may check on an individual or a company for possible criminal connections.

Here, a brokerage house found the name of a man who wanted to unload a substantial amount of stock immediately. Records showed he had attended a meeting 25 years before with a group of Chicago hoodlums at an Illinois resort hotel. The stock was not accepted.

In Miami, a businessman can drop in at an office run by an ex-FBI agent named Daniel P. Sullivan and have access to 90,000 pieces of individual information about organized crime, fraud and almost any other type of criminal activity in the Miami area.

One such piece of information prompted a Miami bank to back away from a $130,000 loan to an individual who wanted to start a securities business. The records revealed him as a race track tout with a shady background.

This ever-expanding criminal intelligence, sometimes more comprehensive than that of a big city police department, is becoming a major function of citizen crime commissions. In all cases, of course, information is available only to reputable citizens, to protect the rights of persons whose names are on file.

Crime commissions are not a new phenomenon but they have taken on an increasingly significant role as the public—notably the business community—has grown more aware of the insidious infiltration of organized crime into legitimate business.

The citizen crime commissions are not to be confused with the governmental crime commissions of which there are many at the city and state level. The latter are financed out of tax funds and frequently are controlled by public officials. The citizen groups, on the other hand, depend on private support and are free of political involvement.

Citizen crime commissions do not permit government officials responsible for the administration of justice to serve on them.

Ephraim R. Gomberg, president of the Philadelphia-based National Association of Citizens Crime Commissions, tells why:

"The commissions must be free to challenge the authority, to question the performance, and to criticize the effectiveness of the kind of criminal justice dispensed in their communities."

Aaron M. Kohn, managing director of the Metropolitan Crime Commission of New Orleans, has done all of these things. In the process, he has been sued, denounced by city officials, and indicted, and has spent 10 days in jail. He has received threats against his life. Meanwhile, he has chalked up an impressive record as one of the nation's foremost crime crusaders.

Citizen crime commissions draw their support from the community and their effectiveness often is gauged by the extent of that support. In the main, they derive their impetus from the business and professional leadership willing to involve itself in the dirty business of fighting crime. And willing to put up the money to carry on the fight.

The nation's oldest and best known crime commission was organized in

Windy City businessmen depend on former FBI agent Harvey N. Johnson Jr. to keep tabs on crime syndicate activity in the Chicago area.

Organized Citizens vs. Organized Crime

continued

Chicago in 1919 and owes its origin to that city's first daylight payroll robbery, in which two guards were murdered. A wave of public indignation followed. The Chicago Association of Commerce and Industry reacted quickly by appointing a committee of 10 prominent citizens to investigate and report on crime in the Windy City.

Since the Terrible Twenties

In the Terrible Twenties, bank robberies, bombings and bootleg whiskey made Chicago the crime capital of the world. The Chicago Crime Commission had its work cut out for it. In 1930, it began publishing the first of its list of "public enemies" and the name Al Capone became a household word. In 1942, when Virgil W. Peterson was named its director, the Commission began hitting even harder at organized crime, whose spread across the fabric of American society was just beginning to be really understood.

Today, it has a staff of 20, including five full-time investigators, and an operating budget of $200,000. Harvey N. Johnson Jr., like Miami's Dan Sullivan a retired FBI agent, is the operating director, and took over from Mr. Peterson on his retirement last year.

Businessmen have discovered in a number of cities that they can take an effective role in the administration of justice by helping set up and joining citizen crime commissions. The commissions often can improve the techniques of combatting crime when local governments cannot or will not carry out their responsibilities in this field. Mr. Gomberg talks about that:

"The citizen commission probes and evaluates the performance of police, courts, parole and probation services, and prisons. When authorities fail to act in accordance with the mandate of the law, the commission speaks out. When there are gaps in the quality of performance of law enforcement, the commission mobilizes public sentiment in support of change. . . . But it does this only when government fails to act."

A Chicago businessman, William B. Browder, vice president and general counsel of Trans Union Corp., has helped carry out some of these precepts during years of work on the Chicago Crime Commission. Mr. Browder, who was the Commission's president in 1965, 1966 and 1967, told NATION'S BUSINESS:

"There are two very good reasons why a businessman should be concerned about crime. For selfish reasons he must protect his business. If he doesn't help hold down crime, he suffers. And a businessman has social responsibility. It's his duty to fight crime."

Dan Sullivan has been executive vice president of the Crime Commission of Greater Miami for more than 20 years. He says one of his group's primary functions is to alert Miami businessmen to the evils of organized crime. As he explains it:

"The larger the community the more money there is and the larger the bait. The mobsters are always looking for opportunities to get into securities, banks, real estate—wherever they can enlarge their holdings in legitimate business. The businessman has to be constantly on his guard so that these people don't move in. Once they do, they'll use the same tactics—the terror, the strong arm—they use so effectively in the underworld."

Taking a stand

There are many reasons why a citizen joins a crime commission. Edward E. Brown Jr., a life underwriter with Penn Mutual Life Insurance Co., is chairman of the Law Enforcement Commission of Chattanooga—Hamilton County, Inc., in Tennessee. He says:

"I joined because I was naturally very concerned over the breakdown of law and order in our local community and on a national level."

Some citizens are reluctant to join because it may affect their business. Mr. Brown's reaction to that:

"I find that people have voiced some admiration to me over the fact that I am willing to take a stand without fear of criticism. This has helped establish more of a common bond between me and some of my clients; I find they all are interested in our efforts."

One goal of citizen crime commissions is to persuade businessmen that they have a special responsibility to help put down crime. Says James L. McGovern, executive director of the Metropolitan Atlanta Commission on Crime:

"Look at the widespread fraud in credit cards today. If the banks and others who issue credit cards are not willing to prosecute, this kind of crime will only increase. If the credit card distributor only seeks restitution of lost funds he can expect to be hit again and again. We urge banks, brokerage houses and others to make their employees available for testimony when it is pertinent to prosecution. That is one responsible way to fight crime."

The Kansas City, Mo., Crime Commission has been active for many years, striking at lawlessness on

PHOTO BY: JOHN MESSINA—FROM BLACK STAR

Aaron Kohn has spent years documenting and helping fight the spread of Mafia-controlled organized crime in Louisiana. Mr. Kohn also appears on the cover of this issue of Nation's Business *with several members of the Crime Commission of Greater New Orleans.*

numerous fronts. It has participated in the solution of several murder cases by offering rewards leading to the arrest and conviction of the killers. It played a leading role in lifting a court order blocking deportation of a notorious hoodlum and dope peddler. It has spearheaded passage of numerous city ordinances and state laws aimed at curbing crime.

The Crime Commission of Philadelphia, working with the Pennsylvania Bar Association, was credited a few years ago with accomplishing the first comprehensive rewriting of the criminal laws of that state in more than 100 years.

Public officials, sometimes the target of a crime commission's thrust, are generally anxious to work with these citizen groups because they so often augment efforts of regular law enforcment agencies.

Mayor Richard Gordon Hatcher of Gary, Ind., speaking of the Northwest Indiana Crime Commission and others around the country, points out:

"Being nonpartisan and relying solely upon private subscriptions from the grass roots for its financial support, a crime commission is beyond the perils of influence and inhibitions and free to operate with a degree of independence virtually unmatched in the public domain."

Illinois Gov. Richard B. Ogilvie, a former member of the Chicago Crime Commission, comments:

"As crime rates soar and more young people are involved, the role of citizens commissions and all citizens must be enlarged if there is to be effective action in cooperation with government agencies."

Crime commissions are bodies of community leaders but they often reflect the spirit and character of the full-time directors who run them on a day-to-day basis. Men like Virgil Peterson in Chicago, Dan Sullivan in Miami and Aaron Kohn in New Orleans.

Battle in New Orleans

For almost 20 years, Mr. Kohn has carried on a battle against organized crime. He is controversial. He has tangled with judges and police officials, with mayors and district attorneys. He has not always been

embraced by the Establishment. But in the Mardi Gras city even his detractors acknowledge his tenacity, his dedication and his aggressiveness.

"As a result of the crusade of Aaron Kohn, government leaders as well as the business community are now beginning to recognize publicly for the first time that there is organized crime in that area," says Lauren A. Arn, executive director of the National Association of Citizens Crime Commissions.

Mr. Kohn over the years has appeared as an expert witness before a number of Congressional committees investigating crime.

"He's got guts," says C. Alvin Bertel Jr., board chairman of Dockside Commodities and former president of the Metropolitan Crime Commission of New Orleans. "I don't know of a single citizen in this city who has been as outspoken on the subject of crime. If we, as individual members of the Commission, feel vulnerable, Aaron Kohn is always there ready to take the beating."

Mr. Bertel adds: "He is responsible for making the people of this city aware of the existence of organized crime. As recently as two years ago every official at the local, parish [county] and state level said it didn't exist."

Under Mr. Kohn's direction, according to testimony before a House Government Operations subcommittee, his Commission has contributed to action including indictments of a sheriff, an assistant district attorney and some 30 police officers, and the forced resignations of both a police chief and a judge.

Mr. Kohn says he is approached almost weekly by someone who wants information on persons with whom he is considering doing business. Often, the information-seeker is a lawyer setting up a corporation.

A nationwide credit organization, about to approve a $750,000 second mortgage on a motel, checked out with the Crime Commission the name of one of the principal applicants. It turned out he had several business partnerships with Carlos Marcello, who has been described as head of the Mafia in Louisiana. The loan was rejected. Later, when the Small Business Administration was found to have made loans to Mafia-connected concerns in Louisiana, Florida and New York, among them was the one which the credit company had earlier turned down.

E. C. Upton Jr., a New Orleans insurance executive and past president of the Commission, tells why he joined it:

"I could see the influence of the wrong kind of people in government. And I was amazed at the public's lethargy about it. But our efforts are starting to pay off. The people are beginning to understand what we have been saying all along about organized crime."

The incumbent president is James P. Schwartz, president of Gimco, Inc.

"Organized crime cannot exist where there is an honest fulfillment of responsibility on the part of public officials," he asserts. "We on the Commission constantly try to make sure every public official carries out his sworn obligation to the people who elect him."

Filling gaps

Mr. Kohn describes the role of crime commissions in these words:

"They objectively examine crime conditions and their causes, evaluate government services available to deal with them, and work to fill the gaps between. They help good officials, and disclose corrupt or incompetent ones. They gather information and share it with the community. They scrutinize changing government policy, supporting the desirable.

"And most of them serve as citizen watchdogs to alert officials and the public to the otherwise concealed inroads of organized crime and corrupt alliances."

Gerald J. Gallinghouse, the U. S. attorney in New Orleans, also is regarded as a tough, uncompromising crime-buster. He says citizens groups can achieve much good by focusing attention on crime.

"I would like to see businessmen take a more active part than they have," Mr. Gallinghouse told NATION'S BUSINESS. "We must raise the standards of public service, and that's where business and professional people can provide the leadership that's needed."

Addressing a group of New Orleans business leaders a few weeks ago, Mr. Gallinghouse said:

"I think that you should know that the Metropolitan Crime Commission enjoys the position of preeminent respect among the federal authorities and although he may not be the most popular man in New Orleans—and I would suggest that it is good that he is not—Aaron Kohn is extremely well regarded among law enforcement officials in this country. He is considered to be the most knowledgeable man in the United States on organized crime."

The federal attorney then revealed that his 20-man organized crime and racketeering strike force has found in the Crime Commission's files "a gold mine of information" for its war on the underworld.

Today, there are citizen crime commissions in 15 cities across the country. Because of the rising incidence of crime, other cities are indicating interest in organizing commissions of their own. Experts say a businessman wondering whether there is a need for a crime commission in his community might ask himself these questions:

- Has organized crime made its appearance and is the criminal syndicate quietly at work?
- Are drug abuse and vandalism among teen-age problems?
- Are loan sharks victimizing those least able to pay?
- Do your courts face large criminal case backlogs? Are there too few judges? Do the courts still use the operating methods of 25 to 50 years ago?
- Do your jails and prisons change criminal attitudes or do they disgorge more and more repeaters?
- Are your law enforcement officials blaming each other for mounting lawlessness?
- Does your police department need better equipment, more officers, improved morale or any other changes that make for stronger law enforcement?

If the answer is Yes to even a few of these questions, then the time is ripe to think about organizing a crime commission. END

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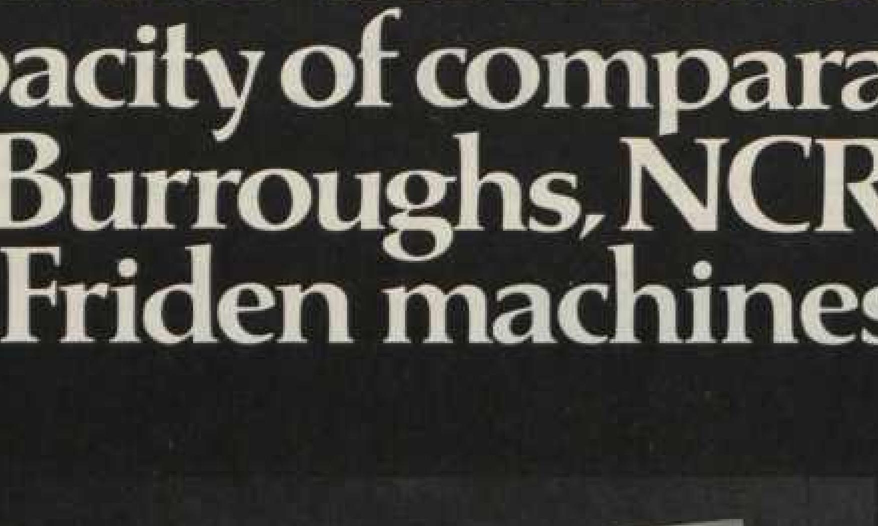

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Drug Abuse Is Your Headache, Too

The New York Chamber of Commerce, concerned about an "overnight" mushrooming of the drug problem in the business world, commissioned a study of how it is affecting companies and what they are doing and can do about it.

Medical officers and other executives from 30 leading American companies —most of them headquartered in the New York area—were interviewed, and a detailed questionnaire was sent to an additional 50 companies. What the questioning showed should alarm businessmen who think of drug abuse as someone else's headache.

Here are edited excerpts from the study, which the New York Chamber has published in a booklet entitled "Drug Abuse as a Business Problem." The study was researched and written by Carol Kurtis, editor, Research Institute of America.

With the spread of drug abuse in schools and among the armed forces in Viet Nam, it would be unrealistic for business to assume it could recruit from these markets and not risk bringing drug abusers, narcotics addicts and pushers into companies, despite all the sophisticated screening tests available.

And with the increased acceptance of many drugs at all ages and social and economic levels, companies are finding that drug abuse is not confined to the young.

This is the time for business to take a good look at its bottom line—where does drug abuse fit into its profit and loss statement?

Drug abuse means higher turnover. Turnover due to the release of addicted employees cost one company $75,000 in 1969.

Employee thefts are rising as fast as the drug problem is growing. A corporation charted a 100 per cent jump in in-company thefts from 1968 to 1969. This, it feels, is directly related to the increased number of addicts found in its employ.

Other industry losses related to drug abuse include absenteeism, poor work performance, higher insurance rates and an inevitable increase in taxes to support the additional police, social, medical and mental health facilities needed to handle drug abusers.

Some companies have discovered "pushing" on the premises, or an employee dead in the washroom with a needle still in his arm.

One corporation found that the mail boy was delivering, amid the regular inter-office mail, neat little envelopes of marijuana. Investigation revealed the boy wasn't the real "distributor" at all. The "pot" was being sent around by one of the company's engineers.

Sometimes drug abuse does not present a real safety threat but might damage a company's reputation. At a recent company dinner a major publications corporation was unaware that a group of young executives at one table all smoked marijuana during the after-dinner speeches.

Drug abuse can also claim a totally innocent victim. One 48-year-old company supervisor found a brownie on his desk. He ate it and was rushed to the hospital, where he remained in critical condition for some time. Someone had put LSD in the brownie.

"I've reached the point where I have to do something—anything—even though I am not sure what that something should be," said a corporation president who thought his firm's policy and program on drug abuse was among the most enlightened in industry.

The problem is growing faster than industry's current ability to handle it.

45 out of 50 firms

In the questionnaire survey of 50 companies, only five reported no incidence of drug abuse on company premises. In each latter case the company was small and had a low turnover.

Among the other 45 companies the awareness of a drug problem took many routes. Drug abuse, like alcoholism, has always been around. But it was simply not a serious threat to business; then, within a year, drugs seemed to be everywhere.

An increase was noted in 1968; incidence skyrocketed in 1969, and, due both to the boom in use and to a concentration on screening and detection, companies expect they will have seen three times as many cases in 1970 as they did in 1969. And many believe that what they are now seeing is just a preview.

The increase in employment from the hard core [ghetto areas] in the past three years is cited most frequently as the major reason why business has this problem, but companies should realize from their own employee records and experiences that drug abuse has, in this same period, affected employees at all levels.

In addition to actually finding drug abusers and pushers on their premises, companies in the New York area noticed sharp increases in absenteeism (the key warning signal of drug abuse), turnover, and theft from 1967 through April, 1970. Many companies report work performance down; one estimates a 20 per cent drop in performance attributable to drug abuse.

Larger companies with more so-

Drug Abuse Is Your Headache, Too *continued*

phisticated health services were among the first to develop policies on drug abuse, for two reasons. First, they already had general health policies encompassing mental health and alcoholism. Second—and extremely important in drug abuse—they had established procedures for recognizing a wide range of employee problems.

Other businessmen suddenly and often dramatically had the problem thrown at them and were totally unprepared to handle it. How management reacted often depended on what the company's function was.

One advertising agency found three young executives shooting heroin in the washroom. Management's first reaction was to fire them.

Four hours of discussion grew into a policy that stated, in effect, "We hired you because we think you are talented and can be an asset to our group. If you agree to seek help and stay off drugs, we will keep you. If you do not cooperate and do not follow a rehabilitation program if necessary, we will have to dismiss you."

"Sensitive" industries — airlines, banks, and manufacturing plants dealing to a great extent with potentially dangerous equipment—feel that the risk to their operations, customers, or employees is too high to take any but strong disciplinarian steps.

These companies concentrate on screening, detection and termination.

For all companies the decision is difficult. The personnel manager of an insurance company with a very humane program for all employee difficulties said: "A company like ours has always been an 'image' company—a place where mothers and fathers didn't worry about their youngsters working. Especially girls. If we get a 'pot' or 'dope' reputation, we will have trouble recruiting."

A bank worries that some of its employees will get involved in drugs at work. It has fired "pushers" only to see them coming back to meet with their friends at lunch time or at the end of the day. Whether the employee brought drugs into the bank or first got involved with them there, the policy is the same. He, or she, is dismissed.

Days and years

One company with a sophisticated detection system found that the drug abuse problem in its New York office involved employees from the part-time high school student up to and including college graduates, from employees with two days of service to those with several years on the job.

But while the fabric of drug abuse is woven throughout our society, the abusers who are causing the greatest concern are those between the ages of 16 and 25.

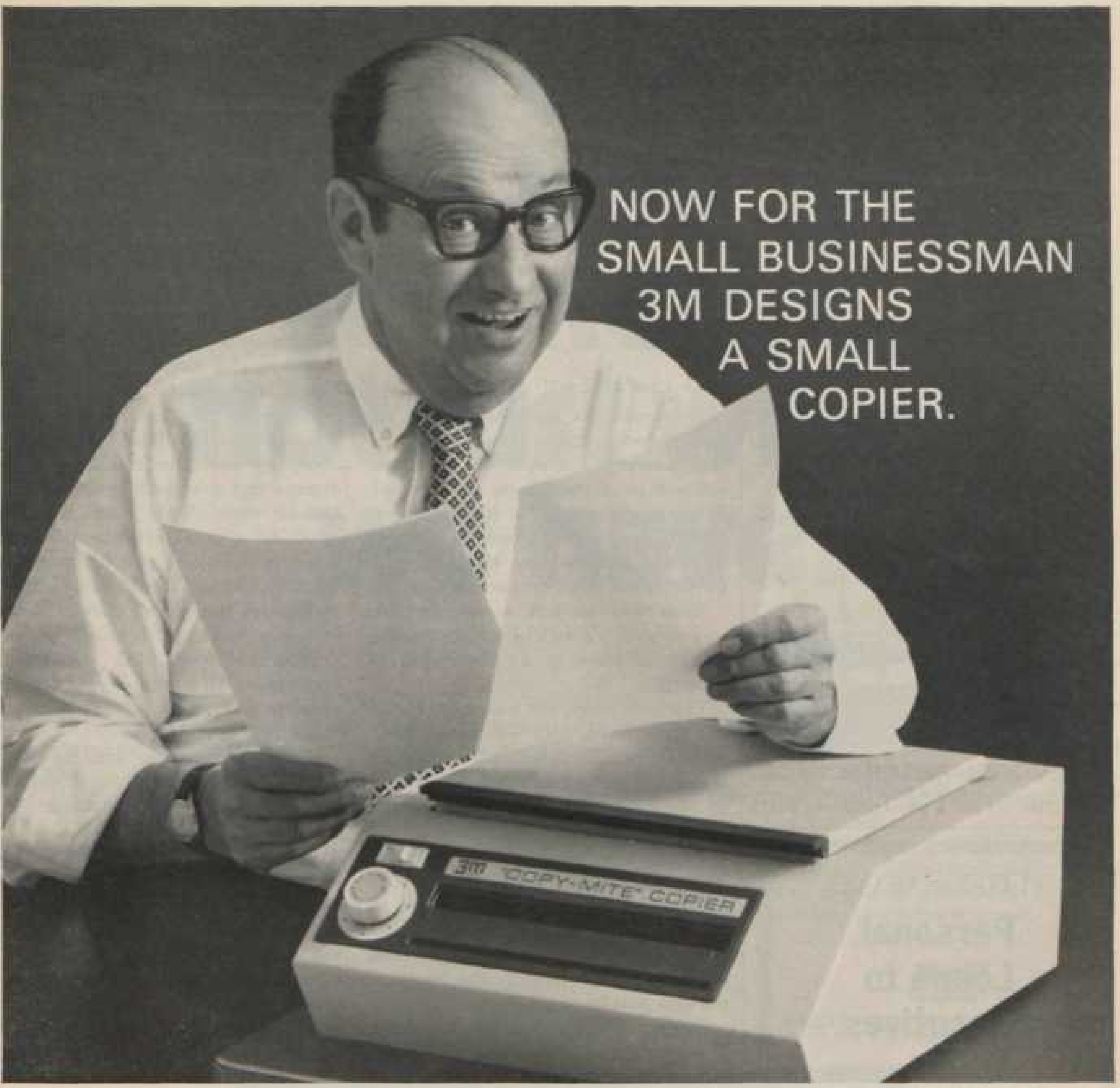
Industry has found that there may be many types of abuse among employees. Abuse does not necessarily mean addiction.

Some employees smoke marijuana, but not at work. Others may try a variety of harder drugs in the evening or on weekends—in a pattern not unlike alcohol. Still others are dependent on amphetamines and/or barbiturates to get through the days and nights.

The hard addict—usually on heroin—may be more employable than most companies realize.

One private doctor reported among his patients two taxi drivers, a social worker, a payroll clerk and a welder. All have been addicts for more than a year.

The welder, in his late 40s, has been a heroin addict for 20 years. He has received regular promotions and maintains he has not had to re-



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Drug Abuse Is Your Headache, Too *continued*

sort to crime to support his habit. He is married, the father of several children and a member in good standing of his union. (The doctor was treating these patients for other reasons—not addiction.)

Medical executives feel that, in general, the hard core addict is unemployable. But drug addiction and abuse do not affect everyone in the same way.

The "reformed" addict

A number of companies hire rehabilitated addicts or addicts on methadone [an inexpensive drug prescribed as a substitute for heroin]. But many report a high rate of failure with rehabilitated addicts and a dissatisfaction with the job performance of addicts on methadone.

This may be just as attributable to a company's lack of understanding of the problem as to the employee himself.

One company, for example, found out the hard way—it had "lost" several rehabilitated addicts—that there are two important factors in successfully recruiting from addict rehabilitation agencies.

First, a recruiter should look for high motivation—good reasons why the rehabilitated addict will want to reorganize his life. These may include marriage, going back to school and strong desire to regain the trust of parents and friends.

Second, the ex-addict needs a lot of aftercare and follow-up by company personnel people.

This company feels it is necessary to keep a rehabilitated addict under the control of the personnel department and on "probation" for a full year. If the employee makes the year, he "graduates" into the mainstream of company life.

The object is not to discipline but to help the ex-addict over the rough spots. The company decided on this policy after losing one very promising young man because management thought he should be promoted after three months and cut free from personnel supervision. That employee relapsed four months later and had to be fired.

This company's program since then has been successful. It received 12 referrals from one agency and accepted six on the basis of highest motivation. The six were kept under personnel supervision for the year and three are still with the company and doing well. Of the other three, one left to go to art school, one went on to a better job and the third was dismissed for reasons of job performance.

The company found that the personnel department must be educated to the difficulties facing a rehabilitated addict.

While he may become totally and productively involved in his job on company time, an ex-addict almost always has a serious problem in his leisure time. This time has been filled, to a great extent, with drug-oriented activities and drug-oriented friends. Cutting free from this environment may leave him with a lot of vacant time on his hands.

Informed personnel people will encourage this employee to find constructive outside activities and make new friends.

Other companies are trying to work with addicts to see if industry can really save some of them. Says one company:

"We have one addict whose characteristics and motivation give us hope. He has a lot going for him. We'd like to see if we can save this kid and see what we can learn from him. Our company has been able to recover 60 to 70 per cent of our employees in the alcohol program. We might be able to do this with addicts."

Shared problems

Some of the problems shared by many of the companies surveyed:

- Screening by urinalysis to detect drug use—addicts may not be injecting drugs into their arms—is not always effective. An addict or abuser usually is clever enough to stay off drugs for the period necessary for traces to disappear in urine samples.
- Firms trying to refer drug abusers to a rehabilitation center (both in cases where they will terminate the employee and in cases where the policy is to retain him if he undergoes rehabilitation) have found there can be a wait of up to one year.
- While management and unions have begun a dialogue on drug abuse,

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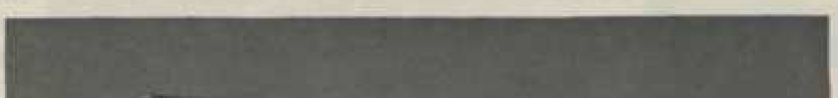

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Drug Abuse Is Your Headache, Too *continued*

no clear union policy seems to have emerged. Some companies report unions look the other way when an employee is fired due to drug abuse.

One company, however, hired a young man on methadone maintenance and found it could not fire him seven months later, even though serious personality problems had developed. The union maintained there was not sufficient cause for dismissal.

• A number of companies report they are not getting the cooperation from their supervisors that they need to control the drug problem.

If a company's policy calls for immediate dismissal for a first-time offense, a supervisor may be tempted to look the other way. Or he may attempt to do some counseling on his own—even though, as one rehabilitation agency put it, "addicts are just about the best con men around," and until the supervisor reports to medical or personnel officers, no action to help the employee can be taken.

Thoughts for the company

As the drug problem grows, a company should give thought to how it can be handled. Following are some points it may want to consider:

• Firing an employee may solve a specific company problem, but only temporarily. Other drug abusers will be found as long as the community has the problem.

• Every company can make educational information available to its employees. Most large firms have excellent communications skills. Taking that talent and directing it against drug abuse would be a major step.

• Some companies are hesitant even to issue a policy statement for fear the word will get around that it has a problem. This type of company is worried about what its customers might think or how employees or employees' families might react. But if a company has the problem, it won't be able to hide it for long.

• Assign the problem of drug abuse to one person in your company. Make sure everyone knows how to reach him. He should have a list of all treatment facilities, narcotics agencies and detection facilities available. He should be in direct communication with your medical executive. In a smaller company, he should seek the cooperation of a doctor or clinic familiar with the drug problem.

• Check your personnel hiring staff. They can be trained to recognize drug abusers and keep them out.

One company realized that because its hiring was being done by young female college graduates who had a laissez-faire attitude toward drugs, a number of drug abusers were slipping by personnel screening. Now the company has a special training course dealing with drugs.

• Take a good look at your environment. One company has called in a team from a city rehabilitation center to look over its whole corporate environment to see what might inherently add to the need or temptation to take drugs.

• Many cities have a number of agencies and individuals expert in the area of drug abuse. It may be worth your while to contact a state, city or private agency for help in formulating a policy and conducting seminars for educating management, supervisors and employees.

• A company—or a group of companies—can fund part of a clinic to be used for its own employees. Or a company or group of companies can consult with an existing agency to see if an industry-funded referral program could be formed. This would guarantee these firms a place to refer drug abusers for business-oriented rehabilitation. If there are no adequate local facilities, industry may band together with other interest groups and consider sponsoring a community center.

Industry can remain a target of drug abuse and continue to enter its cost on the loss side. Or it can take positive steps to contain the problem.

END

Copies of the booklet, "Drug Abuse as a Business Problem," may be obtained from the Publications Division, New York Chamber of Commerce, 65 Liberty St., New York, N. Y. 10005, at the following prices per copy: one to nine, \$2; 10 to 99, \$1.75; 100 or over, \$1.50. Sales taxes are applicable to orders from within New York State.

THIS MONTH'S GUEST ECONOMIST

Dr. Courtney C. Brown
Professor
Graduate School of Business
Columbia University

REMODELING MANAGEMENT STRUCTURES

All about us there is the throbbing evidence of change: technological, cultural and political. That change will leave its mark on the structure of business organizations.

The company's structure must be adjusted to fit contemporary facts, and both the facts and the structure are going to be different by the end of the decade.

The traditional business organization is a pyramid, incorporating a system of substructures usually called departments. The typical procedures of this pyramidal type of organization may be less than adequate to cope with the rapid changes ahead. Control and incentive systems that are embedded in it, designed as they are for relatively stable situations, tend to inhibit rather than encourage initiative and adaptability.

Changes that will compel modification of corporations' structures and practices include such things as improved analytical methods, accelerating product obsolescence, shifting consumer preferences and the global expansion of markets. Current high levels of expenditures for research and development assure major shifts in the nature of products and markets.

But the principal compulsions for adaptation will probably come out of the emerging environment in which business will operate. The public has come to expect more from business, and activities that heretofore have been regarded as peripheral are even now appropriating more time and attention.

It is clear that new and distinctive abilities will be needed in the corporation during the Seventies. Ways must be found to encourage new initiatives as well as to make the corporation's response to its changing environment prompt and effective.

The number of special projects that must be dealt with will multiply. Better abilities must be developed to anticipate problems as well as adapt to them through internal response, including use of new technologies and new analytical methods.

Flexibility will be the key word. The importance of continuously testing deep-rooted convictions and practices will be personal as well as corporate.

Three environmental influences will increasingly require the combining of specialized talents, resulting in greater use of the task force pattern of organization, or modifications of it.

One of these influences is the impact of accelerating change in communications technology supported by the mathematics of operations research and rapid computation. Use of new and more precise analytical methods, aided by the computer, lies at the heart of the solution of complex operating problems that will confront business in the coming decade. An implication is that whether it is a new product to be launched or a logistics system of procurement, production, sales and inventory control, the activity will cut across the corporation's normal departmental life.

A second influence is the growing acceptance by business of the need for continuous education in management development. Within the company an opportunity for management training is provided by rotating people through task force assignments, thus exposing them to different kinds of problems, as well as to different personnel with different ideas and training.

The third influence comes from extending the range of corporate commitments to include unfamiliar business and societal tasks. Business is spreading rapidly across national boundaries to unfamiliar cultures and to global dimensions. It also is accepting functions in the community and in society at large that a decade or two ago would have been regarded as "none of its business." These commitments range from financial support of worthy causes to direct involvement and participation in the alleviation of social ills.

Where in the organization are the new jobs to be assigned? Certainly, traditional corporate subunits are not well equipped to cope with new and unfamiliar tasks. Moreover, the question of who will pay the bill, or where it will be assigned if paid by the corporation, has not been faced.

All three of these influences—the impact of new technologies and new analytical methods, continuing education of corporate management and extension of the range of corporate commitments—point to increased use of a flexible organization structure, including temporary or continuing task forces, or action groups spun off from the more routine corporate activities. They will not replace but will stand alongside the older organization structures as an expanding segment of total corporate organization.

This is all very uncomfortable and disturbing to stable management habits. Managers may like to have things precise, orderly, carefully developed and settled. But it is not going to be that way. Numerous problems associated with change, both internal and external to the corporation, will appear in continuous procession and they must be resolved.

There are many changes ahead in organizational structures because the firm is a creature of its environment and its environment is changing at alarming speeds. The changes cannot all be seen now, but those beginning to make their appearance portend excitement.

One thing is clear: The last word has not been heard on management practices and structures, or on organization theory.

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LESSONS
OF
LEADERSHIP

PART LXVI

W. Thomas Rice of Seaboard Coast Line

Teamwork leads to the right track

"If you hunt with Tom Rice," a friend says, "you're ready to hit the sack at the end of the day.

"He doesn't try to hog the show. But he's always on the dogs' heels. He's a tough competitor."

W. (for William) Thomas Rice always has been.

At 5 feet 10 and perhaps 160 pounds, he was still a formidable member of his college wrestling team.

Later, during World War II, he survived the furnace-like heat of the Persian Gulf Command, keeping a multilingual railroad running from the Iranian port of Abadan to the border of the Soviet Union, then our ally. It carried supplies the Russians desperately needed to fight the Nazis.

Today, he's chairman and chief executive officer of the Seaboard Coast Line Railroad Co. Under him it makes money and even boasts a rarity in its industry today—a long-haul passenger line that attracts customers and is in the black.

Tom Rice, who is 58, has a sense of humor and a trim waistline. "Sometimes," an associate says enviously, "he still slips on the khaki trousers he used to wear as an Army officer during the war."

Mr. Rice likes to fish as well as to hunt—and he's a good weekend golfer.

His extracurricular activity has a public service side, too. He's on the Board of Directors of the Chamber of Commerce of the United States.

Above all, Mr. Rice is a railroad man. Here, in an interview at his Richmond, Va., office with a NATION'S BUSINESS editor, he discusses his approach to railroad management, and the prospects for his industry.

Mr. Rice, how did you get into the railroad business?

I studied civil engineering at Virginia Polytechnic Institute, graduating in the class of 1934 at the depths of the Depression. Fortunately, the Pennsylvania Railroad sent a representative down to interview the senior class taking civil engineering that spring.

After further interviews two of us were offered jobs to begin on graduation at a salary of $150 per month, which in 1934 was the greatest salary anybody had ever heard of.

We were the only two members of our entire graduating class who had jobs offered us by industry prior to graduation.

Was that the first time you thought of going into railroading?

I had never given consideration to working for a railroad. I was raised in Tidewater Virginia, where the nearest railroad was 60 miles away. I had never even ridden on a train until I went to college.

At that time you took a job to eat, not to fulfill any career ambitions.

Did you work your way through VPI?

Well, I did have a scholarship. Mrs. Alfred I. du Pont, who was born and raised in the same section of

Lessons of Leadership: W. Thomas Rice *continued*

Virginia I was from, made scholarships available for college students whom the Episcopal rector would recommend. I had a scholarship of $250 a year and made the rest myself.

How?

Working in the mess hall, washing dishes, collecting cleaning and pressing in the barracks, working summers in an automobile agency and a tomato canning factory, and anything else I could think of where I could sell something or otherwise make money.

What did you do for the Pennsylvania Railroad?

I started as an assistant in the engineering corps, working out of Elmira, N. Y., and was transferred to several other locations running surveys and learning track maintenance. That is the way it all started.

How long did you stay with the Pennsy?

Until I was called to active duty on April 9, 1942, as a first lieutenant in the Army Corps of Engineers. My last job had been as track supervisor.

Did your military service involve railroading also?

Yes, primarily in the Middle East, operating a railroad between the Persian Gulf and the Caspian Sea, supporting our then-allies, the Russians.

What was it like?

I could talk about it all day. Heat beyond description—125 degrees in the shade.

Trains operated with American crews running the engines, Iranians acting as train service employees, Russians riding the trains to protect them from sabotage, and British colonial troops—Sikhs and Gurkhas—guarding the bridges and tunnels. Talk about a conglomeration of language problems and things of this kind—it is difficult even to describe it.

However, we took over American locomotives, diesels. And this railroad built by the old Shah, running up through Iran to the Caspian Sea, was a wonderful piece of construction. It was a fascinating and very educational experience in railroading under the most adverse circumstances, seeing what the American railroad man can do if the need arises. And a lot of these Americans were just kids who had not been in railroading long.

Does any particular incident stand out?

There were so many, really. The heat was a big problem. We went across the desert area of Iran. When Marco Polo crossed it looking for China, he said the winds felt like flames of fire. He was not far wrong.

You would leave in the morning, with temperatures way over 100, ride all day, and in the late evening you would reach the cooler mountain areas and have the problem of keeping the men awake.

Reaching a cool area after having been in the heat and not being able to sleep for so long was almost like being drugged. The boys would light cigarets and hold them in their mouths until they burned down to their lips and awakened them so they would not run through a station.

Any other headaches?

One day, I was called into the office of the commanding general, who said: "Only you and I know it, but the most important man in the world is coming over here in a few days. I want you to make arrangements to take him safely by rail from Khorramshahr to Tehran."

There was only one man he could mean. He never mentioned his name, but I knew it had to be President Roosevelt.

The Seaboard Coast Line president and a trainload of guests rode The Forestry Special from Atlanta to Manchester, Ga., earlier this year to see a forestry demonstration sponsored by the line.

We flew off in all directions to try to make security preparations in that wild country.

Fortunately, it was finally decided to fly the President into Tehran, although originally they were afraid of the altitude.

I still relive that nightmare of trying to figure how to get the President over that railroad safely.

Did you serve anywhere else?

Oh, yes. The next big assignment was to the Philippines after the European war was over and we were planning the invasion of Japan. Of course that ended with the dropping of the atomic bomb and Japan's surrender. I went into Japan by way

of Okinawa in early September of 1945 and set up the railroad operations to bring in the Sixth Army and move it to points throughout the southern half of Japan. I stayed until December, 1945, then came home and was released from the service.

Did you go back to the Pennsy when you got out of the Army?

No, I came back to Virginia, where my wife and son had spent the war. Because of family ties and heritage I decided we should see if I could stay in the area. So, shortly after getting back, I went in and talked to the chief engineer of the Richmond, Fredericksburg and Potomac Railroad to see if they had any need for a person who had the real experience that I had.

He offered me a job as track supervisor at Fredericksburg, Va. I was so surprised I did not accept it. My wife was in the city shopping, and when I met her and told her of the offer she said: "Well, did you accept it?" I said, "No, I want to think about it." She said, "Well, go back and accept it. Quick, before he changes his mind."

I took the job and later became superintendent of the Potomac Yard, a large freight classification yard between Alexandria and Washington, D. C.

Then I moved to Richmond as superintendent of the main line operation, and later I was made general superintendent and, in 1955, president.

In 1957 I was offered the presidency of the Atlantic Coast Line Railroad, which I accepted.

It's said that during your presidency the Atlantic Coast Line pretty well turned around economically. What changes did you institute?

I really cannot point to any particular change that I could say I inaugurated, except perhaps for doing our utmost to develop a team spirit, and through doing that, motivating management and all our employees with the idea that we had a great opportunity and should develop its potential.

One of the great factors involved was the development of Southeastern industry. I happened to be there in a period when many plants came to our railroad.

How about your relations with the communities you served?

Well, we did have many problems involving growth of cities with railroad facilities in the middle of them. They felt there should be some relief from the problems of congestion created by the railroad and we undertook a program of going to them and listening sympathetically to their problems.

Wherever we could, we worked with them. We were successful in finding solutions in many cases—in relocating facilities.

You mentioned developing a team spirit and motivating people. How do you do that?

Number one, let them know they are part of the team, they are important to the success of the company.

Number two, get on the ground and talk with them. Share with them the day-to-day operating problems, selling problems, financial problems. Let them tell you their problems.

Go in the shops, travel the railroad and visit the freight installations, talk to the people at all levels of supervision; talk to those who are supervised, for that matter, because they are just as important as anybody else.

I think you should keep them informed as best you can as to the goals you are endeavoring to achieve, and make them feel they have a place in the success of the railroad as long as they do their jobs.

You merged with Seaboard Airline Railroad in 1967. Where did the idea for this merger arise?

It arose right here in this room. One day I came up to see John W. Smith, then president of Seaboard Airline—he had been a friend of mine for years.

We were talking about operating passenger stations in certain cities as joint facilities, such as in St. Petersburg, Fla., where both of us had to relocate.

Finally, we asked ourselves: "Why don't we put the two railroads together, because there is so much we do and so many places we go in common?" We later tried to determine who

Lessons of Leadership: W. Thomas Rice *continued*

made the suggestion first and neither of us really knows.

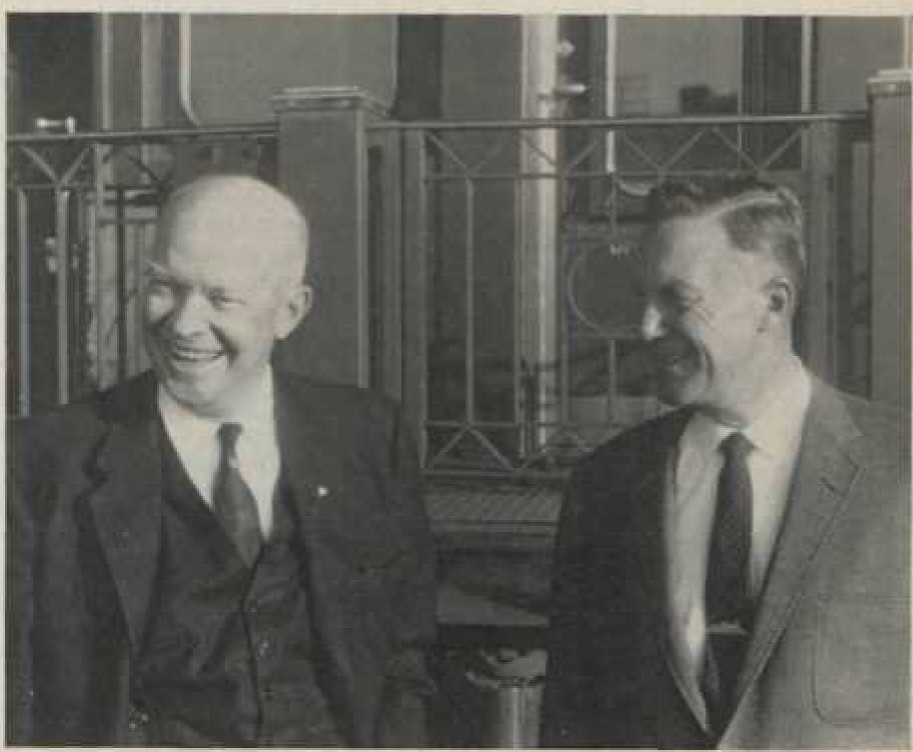
Has the merger been successful?

I think it has been highly successful. We have not yet reached the point of realizing all of the potential benefits to the public. But in many areas we have been able to consolidate and thereby improve service.

How about passenger service?

We believe we are still operating some fine passenger trains between the East and Florida. We have consolidated some of this operation and discontinued a number of unprofitable branch operations. But generally speaking, the supply of equipment and motor power, and the schedules of the trains, have been vastly improved and there is potential for further improvement as more facilities are built.

We still believe there is a place in our particular area for a good passenger train. The through train, not the local passenger train. With the highways, there is no place for a local train.



Former President Dwight David Eisenhower, who as a youngster had the ambition to be a railroad engineer, visited Mr. Rice at his railroad office car in 1963.

What have been the major problems in the merger?

Money—it takes an awful lot of it when you merge two railroads—and people.

When you have a merger, you frequently will have two men with the same jobs on the two railroads. One will be selected for the job and one will not. Regardless of what the man who is not selected is told, or what title he is given, he knows he was not picked and it does something to him. It takes time, and in some cases retirement, to assure a good team from then on.

As human beings, of course, railroad men have a pride in their company, and when one is put across a desk from a man he has competed with for years and told to work with him, it is a traumatic experience. I do not think this is to the discredit of these men whatsoever. I think it is a case of personal pride and personal loyalty.

How did you go about gaining employee acceptance of the merger?

Shortly after the merger, we initiated a series of meetings for employees and their families in local auditoriums. The top management team talked to them as individuals and then had a panel to which they could direct questions, written or verbal.

Some of those questions were honeys, but we answered every one of them, including the difficult ones, trying to share with the employees our philosophy of the merged company.

We went to all the major employment centers. I remember the operating vice president and I stood at the door and shook hands with every man, woman and child who came out.

That was quite a chore but I wanted to get to know these people as well as I could. I wanted them to get to see me, to see that there were no horns or anything else, that we were just trying to do a job.

You call it Seaboard Coast Line. Don't Seaboard and Coast Line mean pretty much the same thing?

Yes, but we have men who came from both of these railroads who were third and fourth generation. As long as they live, it will be the Seaboard or the Coast Line to them. To make these people feel they had never left home, we took words by which the two predecessor companies were known.

What does your railroad now amount to?

We serve Virginia, North and South Carolina, Georgia, Florida and Alabama. We have slightly under 10,000 miles of railroad, roughly 23,000 employees, payrolls of approximately $18 million a month, 60,000-odd freight cars, 1,250 locomotives.

Don't you have some coast-to-coast arrangements with other railroads?

We have worked out coordinated freight service with the Union Pacific and Santa Fe from the West Coast to the East Coast.

We recently started a new service with the Frisco.

Our whole idea is to avoid inter-

Maj. Gen. W. Thomas Rice, U. S. Army Reserve, in a 1961 official portrait.

mediate stopping, because this is the day of transportation requirements being primarily those of meeting production schedules. So we run these trains with joint power and without stopping and reclassifying at intermediate points. This is a definite attraction to the shipper.

What does this mean in terms of time?

A saving of about 24 hours coast to coast.

Looking down the road, can you see the advisability of further mergers?

I certainly would not want to close the door to a possible merger or coordination of effort. Railroads, like all other types of business, can do a better job if the through operation is coordinated, so that it all fits into a pattern.

What changes have taken place in the way of equipment and technology?

We are constantly building new equipment and trying to design it to be more capable of rendering the job the shipper needs. We have in recent years developed equipment capable of hauling heavier loads. Years ago, anything that would haul 50 tons was a large car. Now they are hauling 100 tons plus.

We have developed huge hopper cars for wood chipping, a new type of car to haul additional wood to the paper mills, new types of boxcars to use with paper loading.

We have developed higher cubage and tonnage hopper cars for phosphate and feed for the livestock industry.

The automobile rack car has come into use in great volume. Now we are experimenting with the type of boxcar where you can hang these midget automobiles up on the sides so that they will be vertical during transport.

Like a side of beef?

Yes. The sides will fold down so the cars can be loaded, and then the sides will go up and the cars will hang on end.

Are you doing much with computers?

Computers are becoming so much a part of railroading that we are completely dependent on them. We keep our records of all our train movements from one yard to another, pay our employees, settle our freight line accounts, bill our customers—all by computer.

Aren't you using computers to monitor operation of your locomotives?

Yes, we are monitoring their efficiency under load. A tape is cut on the locomotive, with a special attachment that will gauge how well it is producing. We take that information and feed it back to the computers at centralized locations and they tell us when that locomotive should have shop time and what is needed.

This is a new breakthrough worked out with the manufacturers of the locomotives and the computer people. Before, we were putting locomotives in the shops on a regular schedule, after so many hours of operation, and tearing them down to determine what needed to be done.

How about your new application of

Lessons of Leadership: W. Thomas Rice *continued*

the unit, or one-commodity, train to processed foods?

We have just started this with the RF&P and the Penn Central—solid trainloads of citrus juices from Florida to New York.

What is the future need, as you see it, in the way of labor relations in your industry?

Somewhere along the line, we must reach a point where labor recognizes that the utilization of advances in technology is stifled by antiquated labor regulations. This must be solved.

Where will the impetus for change come?

The chaos and financial problems the industry faces today could well be the source of the impetus for this type of change.

Will this come through legislation?

It may have to in certain areas.

Are you equally hampered by government regulation?

Yes.

We have archaic and outmoded government regulations but we at least have an appeal on many of them to the courts.

The taxing inequalities we have to contend with on our real estate, our inability to adjust our services and prices, are some of these things which come under government control.

All in all, what is the long-term outlook for the railroad industry?

The momentary low we are going through will pass and we will probably be a stronger and better railroad system because we will be freed of some long-time problems.

I look at what the railroads really are and the part they play in our American way of life. We cannot operate without the railroads, as we know America today.

A realistic approach to the problem on the part of the government is absolutely essential.

If we can be made competitive, we can make it on our own, in my opinion.

Our continued competition with other modes of transportation which are supported by vast sums of taxpayers' dollars puts us at a severe disadvantage.

But I am confident that events of recent times will open some eyes to the fact that we must be allowed to compete.

I believe, in the final analysis, that we will get some needed legislation, and we will get a new attitude by the regulatory bodies as to what the railroads really mean to America. END

REPRINTS *of "Lessons of Leadership: Part LXVI—W. Thomas Rice of the Seaboard Coast Line" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

CANADA'S BUSINESSMEN SHOULDER THE LOAD

In the struggle against inflation north of the border, business agreed to voluntary controls; labor didn't

Busy Finance Minister Edgar Benson (he's combining work with tea, here) is a pivotal figure in Ottawa's battle with its economy. "We felt," he says, "that voluntary controls alone wouldn't cure inflation, but that they would . . . support the traditional fiscal and monetary controls."

Canada this year has been trying to speed the cure for a virulent case of inflation with a prescription which has been minus a vital ingredient.

The prescription: voluntary price and wage controls.

The missing ingredient: the labor unions.

Business—an equally vital ingredient—has definitely *not* been missing. As a result, it has had to make some one-sided sacrifices in profits. As another result, according to government and business officials, the controls program has been "marginally successful" in holding back inflation.

From the outset, businessmen—as well as Prime Minister Pierre Elliott Trudeau's government—felt that a voluntary program had to have full labor participation to be really successful. But businessmen agreed to price restraints at the start of the year, even though labor refused to agree to voluntary controls on wages.

By midyear, Canada's consumer price index was rising at an annual rate of 3.2 per cent, compared to 5.5 per cent for the previous year—thanks, it's generally conceded, to fiscal and monetary curbs, and the price control program.

Wage settlements, however, continued to climb. So the government—still without organized labor's cooperation—announced a guideline that set an upper limit of 6 per cent for first-year increases in wages, including fringe benefits.

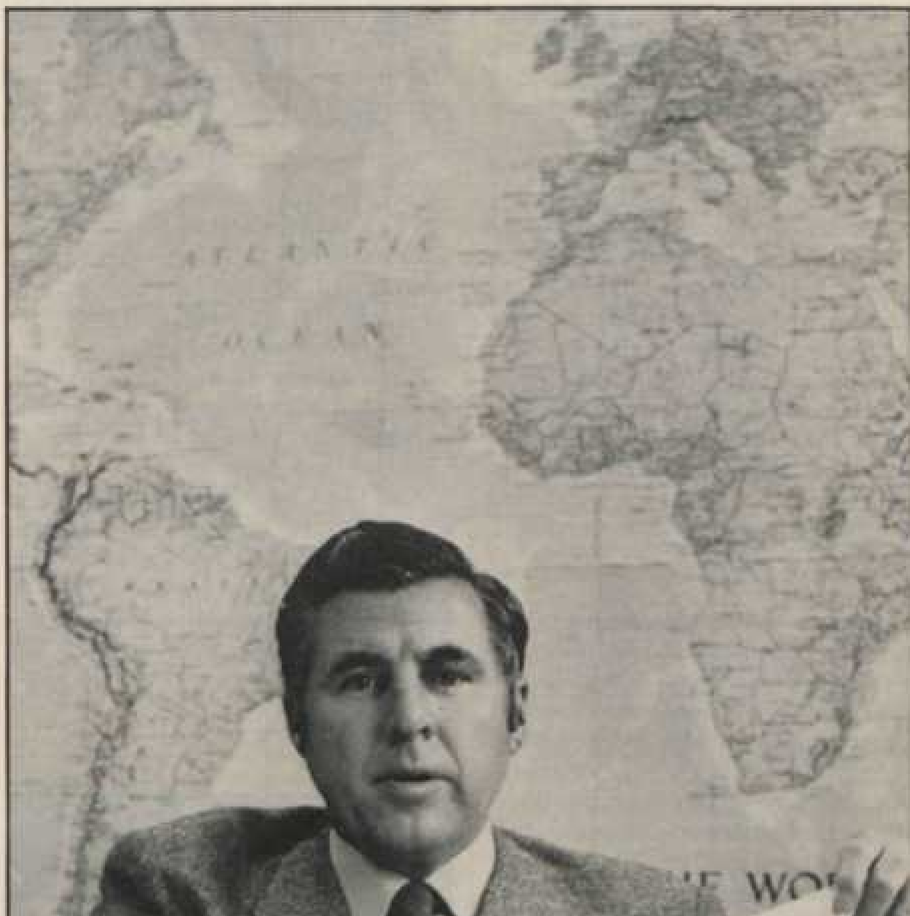
However, the government itself found it difficult to hold that line, and granted postal workers a 6.8 per cent hike in September.

Generally, wage settlements have been averaging around 9 per cent on an annual basis.

For example, steelworkers and operating engineers signed a contract with the Hudson Bay Mining and Smelting Co., Ltd., giving them a 26 per cent wage increase, plus fringe benefits, over a three-year period.

And settlement rates show signs of going even higher. In August, crane operators in Ontario were granted wage boosts totaling more than 50 per cent over three years.

The Canadian approach to wage



Economist Dr. John H. Young heads the Canadian Prices and Incomes Commission. He expected businessmen to tell him to "jump in the lake" when he asked for their help on a tight price control system after labor refused to cooperate on wages. He was agreeably surprised.

and price controls has been watched with more than passing interest in the United States. A similar approach on this side of the border has been suggested by Dr. Arthur M. Okun, who was chairman of the Council of Economic Advisers in the Johnson Administration.

Critics of the idea, both here and in Canada, argue that controls—even voluntary ones—are roadblocks to free enterprise and frequently are unfair. And they say a voluntary program can be that fatal first step that leads to mandatory controls.

In any event, Canada's experience holds some lessons for this country.

Just how much of the cooling of Canadian inflationary trends is directly attributable to the voluntary price controls is difficult to assess. Government officials are unable to quantify it.

There is little doubt, however, that what effect there has been can be credited to a great extent to the leadership of business, which agreed to participate in the price control program though it knew labor would not even come to the talking table.

Canadian business leaders cite two basic reasons why they did. The first, and paramount, they say, was the need to stop the inflation that was threatening to price them out of export markets.

Secondly, they say, they believed in their charismatic Prime Minister's determination to clamp down on the price spiral, even to the ultimate of mandatory price and income controls—a step he, like President Nixon, shies away from.

A key figure in the fight against inflation is Minister of Finance Edgar J. Benson. In his paneled office in the Centre Block of Parliament in Ottawa, he told a NATION'S BUSINESS editor:

"We felt that voluntary controls alone wouldn't cure inflation, but that they would be helpful as a support for the traditional fiscal and monetary controls."

In December, 1968, with inflation growing more acute, a government White Paper announced establishment of a Prices and Incomes Commission to provide information on the problem. Named to head it was Dr. John H. Young, a University of British Columbia economist and college administrator.

Included in the Commission's charter were provisions that it would not intervene in the "particular price and income decisions of individual persons, business firms or trade unions."

Nor was there to be interference with collective bargaining processes.

The Commission has performed its informational function vigorously, turning out detailed reviews on air fares, rail freight rates, and products ranging from milk to steel.

But a greater-than-anticipated policing and surveillance role, as well as deeper involvement in price determination, has developed.

And the Commission is showing a willingness to jawbone with organized labor (including government workers, who may legally strike in Canada) on wage settlements.

Talks between government and business and labor on voluntary controls started in the fall of 1969. These were informal, closed door sessions. A Ministry of Labour official cites this as a reason why two of the largest labor organizations announced, that October, that they would not join in a voluntary restraints program.

"The attitude of labor was ambivalent," the official says. "In general, I think labor favored price and income controls. But they didn't think the program would develop as quickly as it did. When it did they couldn't move that quickly. Since the early meetings were *in camera* it put the labor leaders in a poor position with the rank and file. Also, at this time some economists were saying the economy had bottomed out."

Donald MacDonald, president of the powerful Canadian Labour Congress, his country's equivalent of the AFL-CIO, says it "did not respond to the government's voluntary guideline program because we were convinced in view of the experience in

"The problem of inflation," says C. H. Scoffield of the Canadian Chamber of Commerce, "was of sufficient importance that business felt it had to go the extra mile."

The lack of wage restraints in 1970 means a new ball game in '71, says Leonard Hynes, president of Canadian Industries, Ltd. He sees Ottawa asking business for another year of price controls, but warns this year's wage boosts will be grounds for price rises next year.

other countries and for other reasons that it would not work.

"We were also most strongly opposed because it meant the whole burden was placed on the shoulders of the working people and even then the disparities between higher and low income workers would be most unfair.

"There was no suggestion of any practical method of controlling profits, professional fees or the activities of speculators."

Mr. MacDonald also says that "apart from all this, under our union structures the members themselves make the collective bargaining decisions," and though "they would have been prepared to listen to our advice," they would not necessarily have followed it.

On and off the beach

So, says the Prices Commission's Dr. Young, "the unions put us on the beach." Then he adds: "Business got us off the beach."

Dr. Young recalls that "when we had the breakdown in negotiations with labor we didn't feel we had any expectations from business."

As it turned out, he hadn't judged the business community all that accurately. He was encouraged, he recalls, by some "very important individuals. They told me, 'Why don't you go ahead and see what you can do?' "

Dr. Young and his fellow commissioners resumed discussions with business leaders, especially the heads of key business groups and associations. They told them that the price control system would have to be tight and more significantly, "once in it the participation would no longer be voluntary" for the period of the agreement.

Reflecting on this now in his Ottawa office, Dr. Young says, "I thought they would say 'Go jump in the lake.' "

In a subsequent meeting they did. One businessman stormed, "Why are we sitting here? These guys aren't offering us anything!" But another argued persuasively, "We have the problem of inflation. They have come up with a program. Why don't we try it?"

Recalls C. H. Scoffield, general manager of the Canadian Chamber of Commerce: "There was complete frustration with the labor leaders. But the problem of inflation was then of sufficient importance that business felt it had to go the extra mile."

Roland K. Carty, executive vice president, finance, of Canron, Ltd., one of the participants, recounts: "There was no question that Dr. Young had the Prime Minister's ear. This was a psychological advantage."

Early last January, the executive committee of the Chamber of Commerce called for a meeting with the Commission.

"They thought they were being turned down," Mr. Scoffield recalls. "We raised some critical points, then agreed to go ahead, though we made it amply clear we were only talking about 1970."

Within 24 hours the Commission had similar assurances from the Canadian Manufacturers' Association, the Retail Council of Canada and the Canadian Bankers' Association.

Business' price pact

In February, some 250 business and professional leaders came to Ottawa for a National Conference on Price Stability. Together they hammered out a pact, which read:

"Where higher prices are needed to cover higher costs, and market conditions make them feasible, business firms generally, if called upon to do so, would insure that price increases were clearly less than the amount needed to cover the increases in costs at a normal volume of output and sales."

Also approved was a system of reviews that the Commission would conduct to insure that price changes were within established criteria. Exports' prices were generally exempted.

A key business leader at the conference was T. N. Beaupré, board chairman and president of Domtar, Ltd. "I felt somebody had to do something," he says. "What we were asked to do wasn't all that impossible. We were victims of the price squeeze and it was in our interest to contain inflation. We hoped to give some leadership to labor."

Prime Minister Trudeau, in a nationally televised speech, told the

business leaders, "We are aware that in some cases we are asking for a real sacrifice, at least in the short term, in order to avoid larger problems over the long term."

There have been rocky moments in the relationship between the Prices and Income Commission and business.

In August Dr. Young publicly chastised a tinplate manufacturer for a price increase. The business community reacted sharply; the price increase had been within the established guidelines. In a private session Dr. Young was told bluntly that business was keeping its side of the agreement and that government should, too.

Since then there hasn't been further "jawboning" of this type.

And on the whole, there has been harmony between the Commission and business, and agreement that the voluntary program has had substantial impact on inflation.

Says Dr. Young: "Any program of this kind that cannot have a marked effect on cost increases is only marginally effective. We've accomplished quite a bit, however, within the limitations.

"If we could have had labor's participation we would have beaten inflation this year."

Says Leonard Hynes, president of Canadian Industries, Ltd.:

"I think the program has been even more successful than one could have hoped for. It's been an attitude of mind."

How about next year?

Asked about the possibility of extending the voluntary program for another year, and getting labor in the act this time, Dr. Young smiles and answers enigmatically:

"We shall see."

Then he adds: "We'll be here doing something. What we will be doing is under active consideration."

Mr. Hynes says, "I expect a request to business for an extension," and adds that "wage increases granted this year will be grounds for price increases next year."

Mr. Scoffield predicts that, if there is another round, it will be a less strenuous one for business.

As far as the Canadian Labour Congress' Mr. MacDonald goes, there has been no change. Organized labor's stand against voluntary wage controls a year ago "is still our position," he says. He adds: "Our major economic problem is unemployment, not inflation." Blaming government policies, he says Canada's unemployment rate—6.6 per cent at midyear—could jump to 9 per cent in coming months.

In the meantime the government keeps a tight rein on the budget. Through fiscal restraints, there was a $450 million surplus in 1969. This year Finance Minister Benson expected another surplus, though he believed it would be smaller—due to increased government spending.

("We made progress in slowing the economy," he explains, so "last March we felt it was time to ease fiscal controls.") But in October, with revenues lower than expected, he predicted a $150 million deficit.

The Canadian gross national product flattened out in 1970, registering a 2 per cent growth in the second quarter. The current inflation rate of about 4 per cent "is not acceptable" according to Mr. Benson, but he does note that Canada is "doing better" than any of the Western European countries or Japan.

For the future? "If the U. S. gets its own inflation under control we have a chance of doing even better."

The United States accounts for some 70 per cent of Canada's exports. Canada, which ranks sixth in the world as an exporter, is more dependent on foreign trade on a per capita basis than any other Western nation. Runaway inflation, Canadian leaders feel, could be catastrophic.

Also, as Dr. Young warns: "The extent to which business firms can continue to absorb part of the sharp rise in their labor costs at the expense of their profit position is not unlimited. As profit margins decline, firms try to save on labor costs by hiring fewer workers and are forced to cut back on their expansion plans."

He points out that many Canadian firms "are absorbing at least a portion of cost increases in order to reduce or postpone price increases," and concludes:

"Difficult as it may seem, the only sure way back to non-inflationary economic growth is through a progressive moderation in labor costs, profits and prices—together." END

President Donald MacDonald of the Canadian Labour Congress claims the government's wage proposal would have placed the "whole burden" on "the working people."

Do Your Firm's Annual Reports Make Points?

Notice anything new about annual reports?

If not, one authority comments, you haven't been looking closely.

"Some of the differences jump out at you," says Samuel W. Baker, New York financial public relations specialist.

"Reports are thicker, more colorful and more lavishly illustrated."

E. F. Schmidt Co., Milwaukee communications specialists, found in a recent survey that seven out of 10 reports run 32 pages or more. Ten years ago, it says, only one in four was that long.

Even with more elaborate efforts, Mr. Baker says, many companies' reports aren't really interesting. He offers these tips on how to come up with a good one.

- Select a theme for the report—and circulate it among those who are writing it.

You can find a theme by asking yourself what the company's strong points are that you want to drive home, and what false impressions you want to correct.

- Devote some space to long-term goals and how the company hopes to achieve them.

"Growth is what interests stockholders today," Mr. Baker says.

- Keep it as short as you can.

"Twenty-four pages is probably plenty," advises Mr. Baker. "Use a statistical supplement or financial fact book if there are reams of figures you feel you must put on record."

- Keep it as simple as you can.

"Stockholders should be able to read it," he says, "not just financial analysts or CPA's."

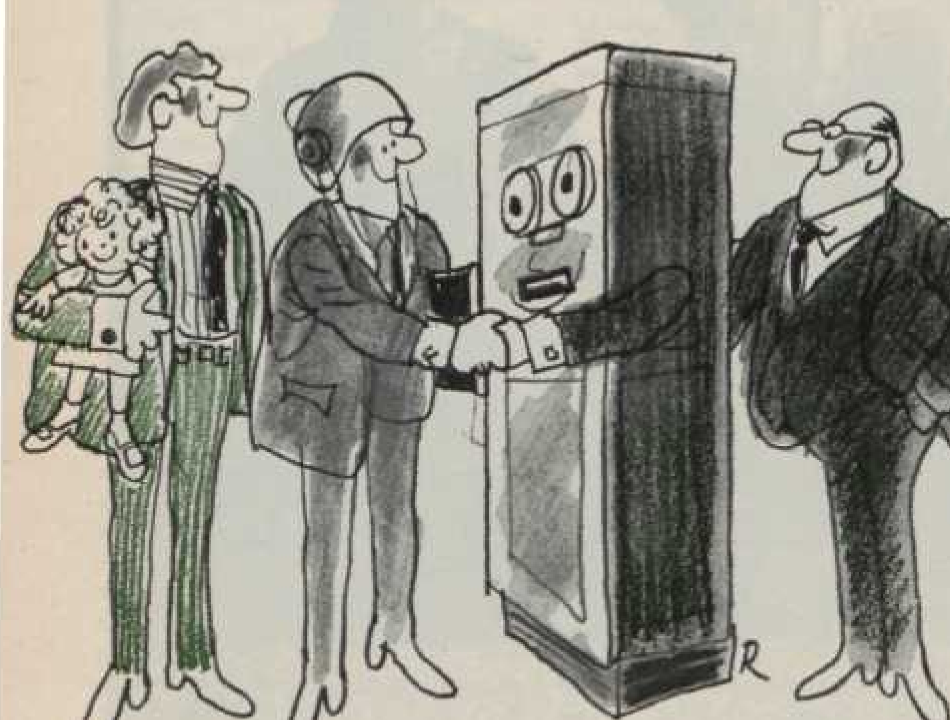
- And be sure to mention new products, financial policies, management philosophy, return on investment and rate of earnings growth.

"Above all," Mr. Baker adds, "be consistent from year to year in the information you do present. Otherwise, comparisons are impossible."

END

Meet the Electronic Talent Scout

Need an engineer who can fly a jet? Or a doll clothes designer? It's easier to find them—with a computer



CARTOON: RALPH ROBINSON

In Pittsburgh, a chemical firm desperately needed a skilled petrographer.

Salary: $16,200.

The firm had flown in—at its own expense—two overseas candidates for the job. One came from Britain, the other from Belgium.

Neither made the grade.

Finally, it got the rock classification specialist it wanted through a local employment agency. The agency discovered him in Columbus, Ga.

Job met man through a nationwide computer talent bank, National Manpower Register of New York. Some 300 private employment agencies draw on it to find skills needed—but not available—locally.

In Spartanburg, S. C., a purchasing agent was job hunting. He wanted work in which he could use both his engineering knowledge and his flying experience. He held a commercial pilot's license as well as a B.S. degree.

Hundreds of miles away, in Raleigh, N. C., the president of a large corporation sought an assistant.

He wanted an engineer who could fly the corporate jet. One of his other duties: Checking operations at the company's far-flung factories.

No one in Raleigh filled the bill.

But the man in Spartanburg did.

Once again, man and job were matched, despite geographical barriers, through NMR's electronic talent bank.

It contains the names of 20,000 professional people—engineers, scientists, dietitians, copy writers, accountants, librarians, sales managers—who are actively job hunting.

Stored in the same memory drums are names of some 50,000 other professionals, all earning $9,000 a year and up, who are not actively seeking new jobs—but are open to a tempting offer.

NMR also offers a computer service to other private employment agencies. It will convert their files to electronic storage providing them with instant, on-line access to their files as well as to NMR's own 70,000-person talent bank.

NMR markets this computer service through a subsidiary, Employment Systems, Inc. ESI has designed similar "skills retrieval" systems for the state of California, the government of Israel, antipoverty agencies and professional societies.

The same basic system is used by all ESI subscribers, but each system is specially programmed to suit each subscriber's needs and protect the privacy of its own data base. It allows for more than 2,000 job and interest descriptions.

Computer opens new vistas

"The computer has made it vastly easier for private employment agencies—and thus employers—to find the right man for the right job," says Thomas W. Jackson, NMR president.

"Working together, agencies are able to create nationwide computer inventories of job-seekers or job openings. They can be searched instantly to locate, anywhere in the United States, exactly the man the employer wants."

National Personnel Associates, an affiliation of 150 independent professional placement agencies, is an illustration. It has members from coast to coast, in every major city.

"Our members began exchanging information on job listings and applicants in 1956, when we incorporated," says Jay Jarrell, NPA president.

"We did it with monthly printed bulletins and informally over the telephone and by personal contact.

"But at the time, we had only 20 members. Now we have 150.

"Pretty soon, the pile got too big to sort. We had to start using a computer to make the matches.

"Before we installed ESI's system, our members were making about 1,000 inter-agency placements a year. We made twice that many in the

first five months after we went to the computer.

"For example, an oil firm in Orange, Calif., wanted an experienced petroleum engineer to manage a plant in Indonesia. The NPA agency in its area didn't have one in its computer file. But another NPA agency in Ft. Worth found a man with the right mix of skills in Odessa, Texas.

"In three days time, he was hired for the $22,000-a-year job—plus many plush fringe benefits."

Government in the act, too

Some public agencies report similar successes with computer programs of their own.

A well-dressed middle-aged businessman called at the office of the California Department of Human Resources Development in downtown Los Angeles. He was looking for a job, preferably at $50,000 a year.

He got it.

Another out-of-work executive was offered a $100,000-a-year position, but turned it down because he thought the fringe benefits were inadequate.

An employer dropped in and said he wanted to hire a draftsman who could speak French. He found one.

The Los Angeles office specializes in placing professional workers. Its system is merely a regional one, linking it with two other cities, San Francisco and Sacramento.

"If we have the information, I don't know of a thing we can't do as far as bringing professional people and jobs together," says Mrs. Kathryn E. Shea, manager of the Los Angeles office.

Information is very much the key to the whole set-up.

Not long ago, a university medical center in the Los Angeles area put in a request for a laboratory technician with a history of German measles.

No luck.

The computer was able to come up with a number of lab technicians looking for jobs but the employment service resumé did not contain data on the applicant's past illnesses.

Even with limited information, however, the computer can find jobs. A toy manufacturer asked for a designer of doll clothes. While no one with that background was on file, several dress designers were.

One accepted, and made the transition from milady's fashions to doll clothes easily.

How "skills retrieval" works

ESI's system breaks down the 40,000 listings in the "Dictionary of Occupational Titles" to its own much smaller, more manageable set of occupational descriptions.

These are categories which can be tailored to fit college students, for example, as well as older professional people. The ESI system is also used by CompuJob, one of several firms which specializes in placing college students with prospective employers.

What makes the computer so efficient a match-maker?

"The computer has one great advantage," says Gordon K. Davies, consultant, social systems, with Information Science, Inc., New City, N. Y., "over the desk drawers of several dozen employment specialists.

"With a computer, no applicant falls through the cracks and gets lost. Personnel men know that the only really live file in a manual system is what's on top of their desk.

"Put an application, or a resumé, in a file drawer and its retrieval depends on the human memory. With thousands of applicants, how many are likely to stick in the employment specialist's mind?

"Too often, that file drawer becomes a graveyard.

"But a computer never forgets. With it, you can search entire files, containing thousands of applicants, in a matter of seconds.

"Also, you can search a dozen different ways—by primary occupation, salary level, graduate degree, years of experience.

"To be able to do that manually, you'd have to cross-reference each name a dozen times.

"That would be too costly and time consuming."

Some find flaws

Not all employment agencies find the computer useful. Snelling and Snelling, Inc., with over 550 franchised affiliates, tried to design its own computer retrieval system, but dropped the experiment, although some 50 Snelling and Snelling offices now use the ESI system.

"We ran into some major problems," a spokesman says.

"One, the data we got from employers often wasn't specific enough. So, too many names would come out of the machine.

"Second, it was hard to determine how long we should leave names—and jobs—in the computer. How often should you purge them?

"Also, many of the jobs we fill are for clerks or typists or other office help. All cities, even small towns, have people who can fill those jobs.

"Putting jobs—or applicants—like that into a computer is a useless expense. You don't have to make them available on a national or regional basis."

NMR's Mr. Jackson agrees.

"It's the agencies placing highly skilled, highly mobile professionals to whom the computer's a real boon," he says. Here are some examples he cites:

- Harper Associates in New York placed a hydraulics engineer from Knoxville, Tenn., with an engineering firm in Chicago.
- Anderson-Taylor Agency in Philadelphia lined up a physicist in Oxon Hill, Md., with a tobacco firm in New York City.
- Prorep Promotion, in Orlando, Fla., placed an electrical engineer from Verona, N. J., with an electrical manufacturer in Houston.

"It's the way to make a national job market," Mr. Jackson says. "And when that is done, it should vastly improve the way we match men with jobs in this country."

Corporate skill inventory

Large corporations are now starting to use this system to keep tab on their own skilled manpower, he states.

"Use of the computer for skills retrieval is worthwhile," he says, "for any firm that has 300 employees or more. At that point, you start to lose track of what skills you have under your own roof.

"Suppose your firm wants to bid on a contract. To do it, you may

Talent Scout

continued

have to answer questions like 'Do we have anyone versed in laser technology?'

"You want to know not only what they're doing today—but what they've done in the last four or five years.

"Or take a big, multiplant electronics firm. One of its offices in Phoenix may get an application from a diagnostic programmer.

"That office doesn't need one right now, but it puts him into the firm's computer and discovers that one of its plants in Boston and another in Atlanta need a diagnostic programmer.

"The company's delighted. The last time it needed one, it cost $3,000 to recruit him."

By the end of the decade, almost all major employers will have a skills retrieval system, Mr. Jackson says.

"Suppose a whole new industry has to be created, such as one dealing with ecology.

"You can create it by bringing together men with the existing specialized skills—if you can list them in some central location to which you have easy access.

"Only a computer talent bank could make it possible."

15 million job-hoppers

In 1970, an estimated 15 million Americans are switching jobs. This is the peak of a steep climb which began in the late 1950s. It was triggered by the growth of business, and by the great upsurge in technically oriented industry.

Private employment agencies have grown with the market. In 1963, there were some 4,400 in the United States. Today, the National Employment Association estimates, there are about 8,600.

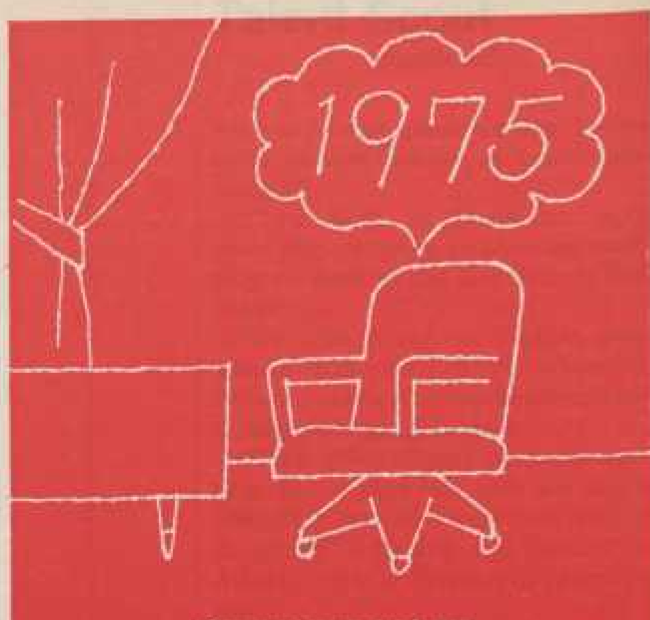
"About 5,000 of these make permanent placements," says John E. Harmon, NEA executive vice president.

Finding square holes for so many square pegs is a staggering task. One enthusiast feels sure that electronics are up to it.

"Some day," he says, "a zoo in Seattle, looking for a snake doctor who speaks Mongolian, may find one in Palm Beach, Fla., merely by feeding the request to a computer." END

The Making of a Company President

Is your background one of those in current favor for the top spot?



Start now to evaluate

Where do new presidents come from in American industry?

More and more, they come from finance, though there are interesting exceptions in some industries, notably oil and transportation.

These over-all trends are evident in a study our firm made of changes in command of U. S. corporations from 1948 to 1967. Recent events indicate the pattern has not changed since.

Different industries operate under different priorities in choosing chief executives.

Among chemical, food and conglomerate companies, for instance, the need for financial expertise has been manifest in the choice of presidents with that background at a steadily increasing rate.

This is also true of a general cross section of companies as represented by the 100 largest industrial firms in terms of sales volume.

Oils, however, turned away from financial men and toward production, manufacturing and engineering men. And transportation companies stuck with operations and engineering people throughout the 20-year period.

Many new presidents can be assumed to have been elected largely because they were "next in line." But this practice may be decreasing.

In many cases, boards of directors state that they first determine what factors are most important for the growth of the company or its survival, and then seek out the best available man whose background indicates an ability to deal with these factors.

To take one example, a large consumer products company analyzed its problems and made up this list:

- Profit margin was declining on its largest selling item.
- The company's various marketing units were expending their efforts on the least profitable item.
- Because of the organizational history of the company, it lacked control over these units.

HENRY O. GOLIGHTLY, *author of this article, is president of Golightly and Co. International, Inc.*

- Distributor costs were much too high.
- Research promised to revolutionize its line of products, making existing forms almost obsolete.

A new president's most crucial duties, the board decided, would be to introduce new products with skill and imagination, integrate the units of the company into an effective whole and cope with a fast changing industry situation.

The board elected a man from outside the company who had a depth of experience in marketing plus wide general management experience.

Ups and downs

Studying the origin of presidents in 100 industrial corporations showed that while the trend was up for finance, it was down for sales and marketing.

In the first five-year period, 1948–'52, finance supplied 12.1 per cent of the presidents, and sales and marketing, 23.3 per cent.

Sales and marketing climbed to 29.3 per cent in the next five-year period before beginning a sharp decline.

In the final period, 1963–'67, finance was in first place with 24.3 per cent, and sales and marketing had declined to 18.1 per cent.

Production and manufacturing also slid. Engineering showed a small over-all increase. The legal field held at slightly higher than 10 per cent throughout the two decades.

General management declined slightly. The leading backgrounds in each period were:

1948-'52

1. Sales and marketing (23.3 per cent).
2. Production and manufacturing (18.6 per cent).

1953-'57

1. Sales and marketing (29.3 per cent).
2. Production and manufacturing (17.4 per cent).

1958-'62

1. Sales and marketing (20.9 per cent).
2. Engineering (18.5 per cent).

We're determined to make you competitive.

If your company carries a big inventory of steel and aluminum, or large safety stocks, you could be in the position of having everything you need–except what you need right now.

There may be a way to trim inventory drastically, and save money in the process. The way to find out is through a unique new service of ours called Materials Management Analysis.

This sophisticated service will tell you exactly what it's costing to receive, store, handle, and preprocess every piece of steel and aluminum used in the products your company makes.

Materials Management Analysis may well show you a way to cut safety stocks to the bone, or even eliminate them. And there's an excellent chance for real savings on steel and aluminum, by simply changing your company's buying methods.

If you'd like to find out how to make your competitive edge razor sharp, have your purchasing agent call us and arrange a meeting. We're in the Yellow Pages. U.S. Steel Supply, Division of United States Steel.

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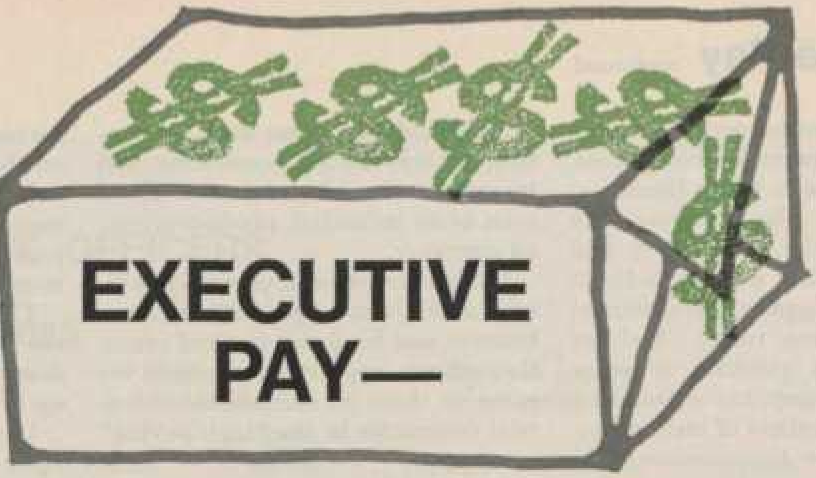

EXECUTIVE PAY—
A TIME OF DRAMATIC CHANGE

Stock options aren't dead, but the Tax Reform Act and Wall Street's stumble have experts putting together ingenious new compensation packages

Nineteen sixty-nine and 1970 have been years of great change in management compensation.

Indeed, there have been more revisions of management compensation programs in the past 12 months than in any other recent year.

About half of the nation's companies have made some changes in their stock pay programs.

Many also have revised, in some way, their bonus plans; some have even made major changes in basic salary administration practices.

New types of programs and practices are emerging.

For instance, during the past year a number of major companies have begun financial and estate counselling services for executives.

Individualized executive pay programs have come of age. And a number of other companies are also considering the nonfinancial dimensions of rewards for managers.

Certainly, one major event which has triggered all this activity is the Tax Reform Act. Another factor has been the bear market, and the strong impact it has had on stock pay plans.

But a third important cause has been increasing unhappiness and uneasiness on the part of top managers—particularly in large companies—with existing pay programs.

There is every indication that this rate of change will continue through the rest of 1970 and perhaps through 1971 as well.

Management compensation is still very much in a state of flux.

In anticipation of such changes, the Sibson & Co. Annual Management Compensation Study was expanded this year to cover 650 companies. Also, it included a number of additional major industries.

One was professional businesses such as advertising; another, public institutions such as hospitals; and finally, financial institutions, particularly banks.

The study also was extended to uncover new information—such as income received from stock pay plans.

The principal findings of this year's survey—our sixth—are that:

- Executives' salaries—though not the salary levels that go with their jobs—have increased an average of 9 per cent, as they've received raises.
- More companies are adopting incentive pay plans for managers.
- Eligibility for incentive pay has spread downward into the organization structure, a significant trend predicted in our first survey.
- Executives in bonus-paying companies will continue to receive significantly more total compensation than their counterparts in nonbonus-paying companies.
- Stock option plans are not dead; they simply are being overhauled to make them more effective in the light of current market and tax conditions.
- The new tax law is causing companies to make major revisions in their executive compensation plans. In fact, a new generation of longer-term incentive pay programs is emerging.

Salaries up

Executive salaries are proving to be recession-proof.

Total pay—salary plus bonuses—rose less than last year. But that's because bonuses were not at last year's high.

However, the 9 per cent average in raises for all managers shown by the Annual Management Compensation Study compares to the 8 per cent shown in the last previous study. And the same percentage of managers received increases during the past year as in high-profit years.

Thus, management salaries continued to rise at about the same rate

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ROBERT E. SIBSON, *author of this article, is president of Sibson & Co., Inc., management compensation consultants. Nation's Business exclusively is publishing this information, taken from Sibson & Co.'s Sixth Annual Management Compensation Study.*

during the recession period as they did during the previous five studies, which were made in boom times.

Management jobs, however, are not recession-proof. This study and reports from other sources indicate that many companies have pruned their management ranks. And, of course, business troubles in some industries have required substantial reductions in numbers of managers.

But those who have remained in their posts received about the same salary treatment.

And companies report the shortage of good management talent is as severe as ever.

The annual guide to levels of salary, bonus and current compensation (total pay) for chief executive officers is shown in Table 1.

Levels of salaries for all jobs reported—as distinguished from managers' salary increases—are higher by about 3 per cent than last year.

Salaries continue to be highly correlated with size and scope of business (as measured by sales volume in industrial companies) and with whether or not the company has a bonus program in effect.

In addition, of course, salary levels reflect type of industry, latitude of action and compensation policy.

Salaries for executives at the second level—divisional managers and functional managers—also have gone up. They're listed in Table 2.

The scope of the job

This year's study was extended to a number of new industries.

Typically, of course, surveys of executive salaries and bonuses are geared to sales volume. But sales volume as a criterion of the scope of the job does not fit in all types of businesses.

Table 3 shows comparable scope data and pay levels in three of these industries—professional businesses, as illustrated by advertising agencies; public institutions, using hospitals as an example; and financial institutions, where banks were used as the illustration.

The criterion of scope in advertising agencies must be fees billed rather than total billings; the study suggests the dollar comparison would be $1 of fees in advertising agencies, and other professional businesses such as consulting, law, public accounting and investment banking, for each $3 of sales in an industrial, product-oriented company.

Using these criteria of comparability, advertising agencies' salaries, bonuses and total pay to chief executive officers appear to be about the same as those of comparable industrial companies in the "high paying" category.

Traditionally, hospitals have used the number of beds as the prime criterion of scope. On the basis of a relationship developed by the hospitals themselves between number of beds and sales in an industrial company, executive salaries in hospitals are lower than those paid to comparable positions in low-paying industries.

This, combined with the absence of bonus payments, means the typical executive director of a hospital is paid about 50 per cent less than his counterpart in industry—even though management salaries in hospitals have increased at an annual rate of almost 10 per cent during the past six years.

In banks, size of deposits seems to be the best criterion of scope, with $10 million in deposits normally thought to be equivalent to $1 million in sales for an industrial firm.

Survey data shows salaries in banks are about 10 per cent above average when compared to comparable management jobs in industry.

But again, the fact that banks do not pay significant bonuses means executives in banks receive about 10 per cent less in total pay than do their counterparts in industry.

Bonuses down

Bonus payments reported in 1970—for 1969 results—were down an average of about 20 per cent. Actual amounts of bonuses paid on the average at different salary levels are shown in Table 4.

Ordinarily, chief executive officers tend to have a higher amount of their total pay dependent on bonuses than do managers who are at similar salary levels in other companies but who are not chief executives.

This undoubtedly reflects thinking that the greater the impact of the manager on business results, the more his compensation should be dependent on those results.

In the case of officers whose pay is reported in proxy statements, bonus payments do tend to reflect changes in profits.

This year's study showed that on the average, when profits go up or down 1 per cent, bonuses tend to go up or down 2 per cent.

Increasingly, the bonuses of managers other than those reported in proxy statements are difficult to relate to corporate profit results.

This is because more and more companies set goals for their units, and management within these units, and pay bonuses based on achievement of these goals.

For example, a company might pay a division manager a bonus if he succeeds in cutting his division's losses from $3 million to $1 million.

An in-depth study of bonus programs in 325 companies showed that more than half of these firms have, during the past five years, changed from a profit-sharing formula type plan to the type of incentive compensation plan where bonuses are geared to business goals.

This special study also showed:

- More managers are being included in bonus plans. In 1965, 32 per cent of the companies reported their bonus plans included only the top three levels of managers. Now less than 20 per cent restrict eligibility in this manner.
- The average fund formula approved by stockholders is 5 per cent of pretax profits in excess of an amount equal to 7 per cent of net worth.
- Companies actually pay only about two thirds of what they are authorized to expend under the stockholder-approved formula.
- Nearly all companies (General Motors being a noteworthy exception) pay bonuses as soon as possible and in cash—unless the executive elects some other form of payment.

Managers in companies which do not pay bonuses continue to receive significantly less total cash compensation than those in comparable jobs in companies with bonus programs; the difference is 20 per cent.

Why, then, do some executives continue to work in nonbonus-paying companies where their total compen-

SALARIES OF CHIEF EXECUTIVE OFFICERS

TABLE #1

INDUSTRIAL COMPANIES

Company size (by sales volume in millions)		High paying* industries		Medium paying industries		Low paying** industries	
		Bonus (000)	Non-bonus (000)	Bonus (000)	Non-bonus (000)	Bonus (000)	Non-bonus (000)
$1-5	Salary	$ 48	$ 53	$ 33	$ 40	$ 27	$ 28
	Bonus	24	—	13	—	8	—
	Total	$ 72	$ 53	$ 46	$ 40	$ 35	$ 28
$5-15	Salary	$ 61	$ 73	$ 44	$ 55	$ 37	$ 39
	Bonus	34	—	21	—	13	—
	Total	$ 95	$ 73	$ 65	$ 55	$ 50	$ 39
$15-25	Salary	$ 72	$ 88	$ 51	$ 66	$ 44	$ 46
	Bonus	41	—	27	—	15	—
	Total	$113	$ 88	$ 78	$ 66	$ 59	$ 46
$25-35	Salary	$ 80	$ 98	$ 57	$ 74	$ 48	$ 52
	Bonus	46	—	31	—	17	—
	Total	$126	$ 98	$ 88	$ 74	$ 65	$ 52
$35-50	Salary	$ 87	$108	$ 63	$ 81	$ 53	$ 57
	Bonus	53	—	34	—	20	—
	Total	$140	$108	$ 97	$ 81	$ 73	$ 57
$50-75	Salary	$ 95	$120	$ 69	$ 90	$ 57	$ 63
	Bonus	60	—	38	—	23	—
	Total	$155	$120	$107	$ 90	$ 80	$ 63
$75-125	Salary	$100	$136	$ 77	$102	$ 64	$ 71
	Bonus	70	—	44	—	27	—
	Total	$170	$136	$121	$102	$ 91	$ 71
$125-250	Salary	$120	$162	$ 90	$122	$ 76	$ 85
	Bonus	90	—	56	—	34	—
	Total	$210	$162	$146	$122	$110	$ 85
$250-500	Salary	$138	$196	$108	$147	$ 90	$103
	Bonus	107	—	69	—	43	—
	Total	$245	$196	$177	$147	$133	$103
$500-1,000	Salary	$160	$235	$130	$177	$105	$125
	Bonus	130	—	85	—	55	—
	Total	$290	$235	$215	$177	$160	$125
$1,000-2,000	Salary	$185	$283	$152	$213	$125	$150
	Bonus	155	—	108	—	70	—
	Total	$340	$283	$260	$213	$195	$150
$2,000-5,000	Salary	$225	N.A.	$190	$270	$150	N.A.
	Bonus	195		140	—	90	
	Total	$420		$330	$270	$240	
$5,000-10,000	Salary	$280	N.A.	$230	$330	$190	N.A.
	Bonus	270		180	—	120	
	Total	$550		$410	$330	$310	

*High paying industries include auto, truck, cosmetics, toiletries and distillers.

**Low paying industries include airlines, education, government and leather.

sation is lower? Sibson & Co. researchers suggest some answers.

For one thing, many companies without bonus plans offer other, nonfinancial income. An industry may be exciting in itself, like recreation, publishing or entertainment. It may be a field with social purpose, like education and health care.

Most other firms without bonus plans tend to be those growing very rapidly or very slowly. Presumably these firms offer incentives of a different type.

In a rapidly growing company, a man can move up rapidly. His personal compensation history may be far higher than average, even though his company's pay is below average because of the absence of a bonus plan.

The relatively easy life in companies that are growing very slowly may seem attractive to other executives, who want to get away from a hard-hitting, competitive situation. Others may prefer security—a company that rarely fires anyone—in place of more money.

There may be some question, however, as to how long nonbonus-paying companies can tolerate their competitive disadvantage in the management market.

So long as they compete for managerial talent only within their own industry—and so long as others in their industry do not pay bonuses—they may not feel the need for bonus programs.

But as the management labor market becomes more competitive and inter-industry transfer of talent becomes more prevalent, industries and companies which typically have not paid bonuses will increasingly feel the pressure to adopt bonus programs for managers.

This is borne out in the bonus study. More than half of the companies which do not have management bonus programs have, in effect, said they were now considering the adoption of such plans.

Stock options: Still alive

For more than 10 years, stock options have been an important part of the executive pay package. Indeed, during the bull market of the 1960s, income from stock options sometimes

SALARIES OF LEVEL #2 EXECUTIVES: DIVISION MANAGERS & FUNCTIONAL MANAGERS

TABLE #2

DIVISION MANAGERS

Size of division (by sales volume, in millions)	Salaries (in thousands) High*	Medium**	Low***
$1 to 5	$34	$30	$27
5 to 15	45	38	35
15 to 25	55	45	40
25 to 35	62	49	43
35 to 50	67	55	45
50 to 75	74	60	49
75 to 125	84	67	54
125 to 250	100	78	60
250 to 500	118	93	70
500 to 1,000	142	111	80

Level #2 includes managers reporting to office of the chief executive. It does not include such men as executive vice presidents or others who are actually part of the chief executive's office.

*Division managers who are truly independent operators, frequently with as much freedom of action as company presidents.
Usually, they have no corporate staff support in marketing, finance, manufacturing, or engineering. Instead, they manage each of these functions in their division.

**Division managers who have neither complete freedom of operation, nor are subject to close and continuing scrutiny by corporate management. Their autonomy is greater than managers' in the "low" category.

***Division managers whose operations are subject to careful review and assistance from corporate staff department heads or corporate management committees. For example, advertising would be handled at the corporate level, even though each division manager might have a manager responsible for advertising; or the division might not have either a manufacturing or a marketing operation of its own.

FUNCTIONAL POSITIONS

Size of company (by sales volume, in millions)	Salaries (in thousands) Marketing	Finance	Mfrg.	Research
$1 to 5	$24	$22	$21	$20
5 to 15	31	27	26	23
15 to 25	37	33	31	27
25 to 35	39	36	33	30
35 to 50	43	38	35	32
50 to 75	46	42	37	35
75 to 125	52	47	42	38
125 to 250	60	55	47	44
250 to 500	70	63	55	53
500 to 1,000	81	73	64	59
1,000 to 2,000	98	85	74	69

CHIEF EXECUTIVE COMPENSATION IN THREE NONMANUFACTURING INDUSTRIES

TABLE #3

INDUSTRIAL COMPANIES (by sales volume in millions)		ADVERTISING AGENCIES (by fees in millions)		HOSPITALS (by beds)		BANKS (by deposits in millions)	
SIZE	Average total pay (000)	SIZE	Average total pay (000)	SIZE	Average total pay (000)	SIZE	Average total pay (000)
$5-15	$60	$5-7	$75	300-450	$40	$100-250	$53
$15-25	$72	$7-10	$75	450-500	$45	$250-450	$64
$25-35	$81	$10-15	$76	500-700	$48	$450-600	$72
$35-50	$89	$15-20	$90	700-1,100	$55	$600-800	$78
$50-75	$99	$20-35	$100	1,100-1,600	$60	$800-1,100	$86
$75-125	$112	$35-65	$125	1,600-2,000	$64	$1,100-1,800	$98
$125-250	$134	$65-110	$177	2,000-2,500	$69	$1,800-3,200	$116
$250-500	$162	$110+	$190	2,500+	$70	$3,200+	$138

exceeded salary and bonus income for top executives.

Sibson & Co.'s survey this year included a detailed analysis of the paper profit made through exercise of stock options by the top three executives in 150 companies from 1965 through 1969 (Table 5).

Aside from establishing a "norm" for capital income compensation in this period, the survey spotlights the influence of both company growth rate and company size on capital income compensation.

These results will come as no surprise to many businessmen.

During the years of largely bullish stock prices, price-earnings multiples of rapidly growing companies tended to be higher than those of their more stable counterparts. Thus, stock prices—and stock option gains—were driven up much more rapidly in the faster growing companies.

Furthermore, the top executives in smaller "go-go" companies have tended to have almost artificially low salaries and bonuses, but large option grants. These companies needed to attract highly capable executives but frequently could not afford high cash compensation.

In those smaller companies that succeeded, the top executives were accordingly rewarded handsomely.

The question must be asked, however, "Will capital income compensation be this high during the next five years?" Sibson & Co. thinks it unlikely.

The "bloom is off the rose" for many of the high-fliers of the 1960s.

Many more companies have now reached a size where a sustained growth rate of more than 12 per cent annually will be difficult to achieve. And the stock market may not achieve the same ebullience it evidenced during the 1960s. Indeed, fully one third of the unexercised options now outstanding are under water.

Nevertheless, Sibson & Co. believes qualified stock options will continue to be an important part of the executive's total pay package, despite recent comments that "stock options are dead."

These comments, of course, are based on tax changes incorporated in the 1969 Tax Reform Act. The same

TABLE #4

AVERAGE 1970 BONUS PAYMENTS (For 1969 Results)

Chief executive officer

Salary level (000)	Average bonus (000)
$200	$150
$150	$100
$100	$60
$75	$45
$50	$25
$40	$20
$30	$13


STRIKE

THE FURTIVE PHILATELISTS

Millions of Americans collect stamps . . . postage stamps, trading stamps and other varieties.

Stamp collecting used to be an enjoyable hobby that never hurt anybody. But times have changed.

We're speaking of the practice of welfare agencies in doling out FOOD STAMPS to labor strikers.

FOOD STAMPS were not intended to subsidize strikers, nor to obstruct the collective bargaining process. They were meant to feed the poor.

In fact, every tax dollar spent on FOOD STAMPS to subsidize strikers shows a blatant disregard for the truly needy . . . the elderly, the sick, the disabled and those who lack the skills needed for gainful employment.

Weighing the economic facts of providing FOOD STAMPS to strikers brings us face-to-face with an unmanageable fiscal nightmare.

For example, in one strike alone last year, strikers collected an estimated $5 million a week in public aid. This strike lasted nearly 20 weeks.

And there were 5,600 strikes last year.

Congress has failed to take a penetrating look at the social and economic consequences of providing FOOD STAMPS to strikers. It's time to do that.

Let your Congressman and Senators know what you think about FOOD STAMPS for strikers. Do it now.

Help restrict stamp collecting to legitimate philatelists.

CHAMBER OF COMMERCE OF THE UNITED STATES
1615 H Street, N.W.
Washington, D.C. 20006

conclusion was drawn in 1964 when the first tax changes unfavorable to options were made.

This conclusion proved to be wrong then, and it is proving to be wrong now.

Approximately 90 per cent of the companies which have sought shareholder approval in 1970 for capital income, or long-term incentive, compensation programs have included qualified stock options in them.

And for good reason, since qualified stock options can provide two significant advantages for a company's capital income compensation program:

• First, the options will continue to be eligible for long-term capital gains treatment. For many executives, this will provide a higher after-tax yield than ordinary income, whether "earned" or not.

• Second, qualified stock options provide a community of interest with the nonmanagement shareholders. If the option holder makes money, the outside shareholder will have seen the value of his investment rise.

On the other hand, it must be recognized that the new tax law makes qualified stock options less advantageous relative to other methods of long-term incentive compensation.

This fact also has been acknowledged by companies which have sought shareholder approval for new option programs this year; more than half have included alternative devices such as nonqualified options and phantom stock.

Even more esoteric approaches are being tried; Studebaker-Worthington, for example, has included a feature by which the option holder may receive a multiple of his option gain paid directly in the corporation's common shares.

Still other long-term incentive approaches which use a valuing system other than stock price are being considered.

Thus the hallmark of many of the capital income compensation programs being designed today is "flexibility."

An executive may have an opportunity to choose the way in which he receives his capital income compensation, an opportunity he has probably never had before.

But this opportunity also carries risk. Can an executive make an intelligent choice of the alternative that will be best for him when coupled with his other investments and with his financial needs, and in the face of very complex legal and tax considerations?

To make this choice effectively for executives, more companies will begin to make professional financial counselling assistance available to their top executives.

The main reason is, of course, the 1969 Tax Reform Act.

This new law changes materially the tax efficiency of many compensation mechanisms.

These changes can produce a pattern of after-tax retention very different from that in the past.

The net result is that, for very highly paid executives, qualified options are a relatively inefficient compensation mechanism.

Compensation programs, like any other management tool or technique, change in response to changing business realities.

The current profit squeeze, the thinning of management ranks and the consequent need for improved manager productivity impose one new set of conditions.

The static condition of the stock market and the impact of the new tax law are two other important realities.

This should mean that considerable changes are now taking place in management compensation practices.

Sibson & Co.'s consulting experience, as well as this study, shows that this is indeed happening. END

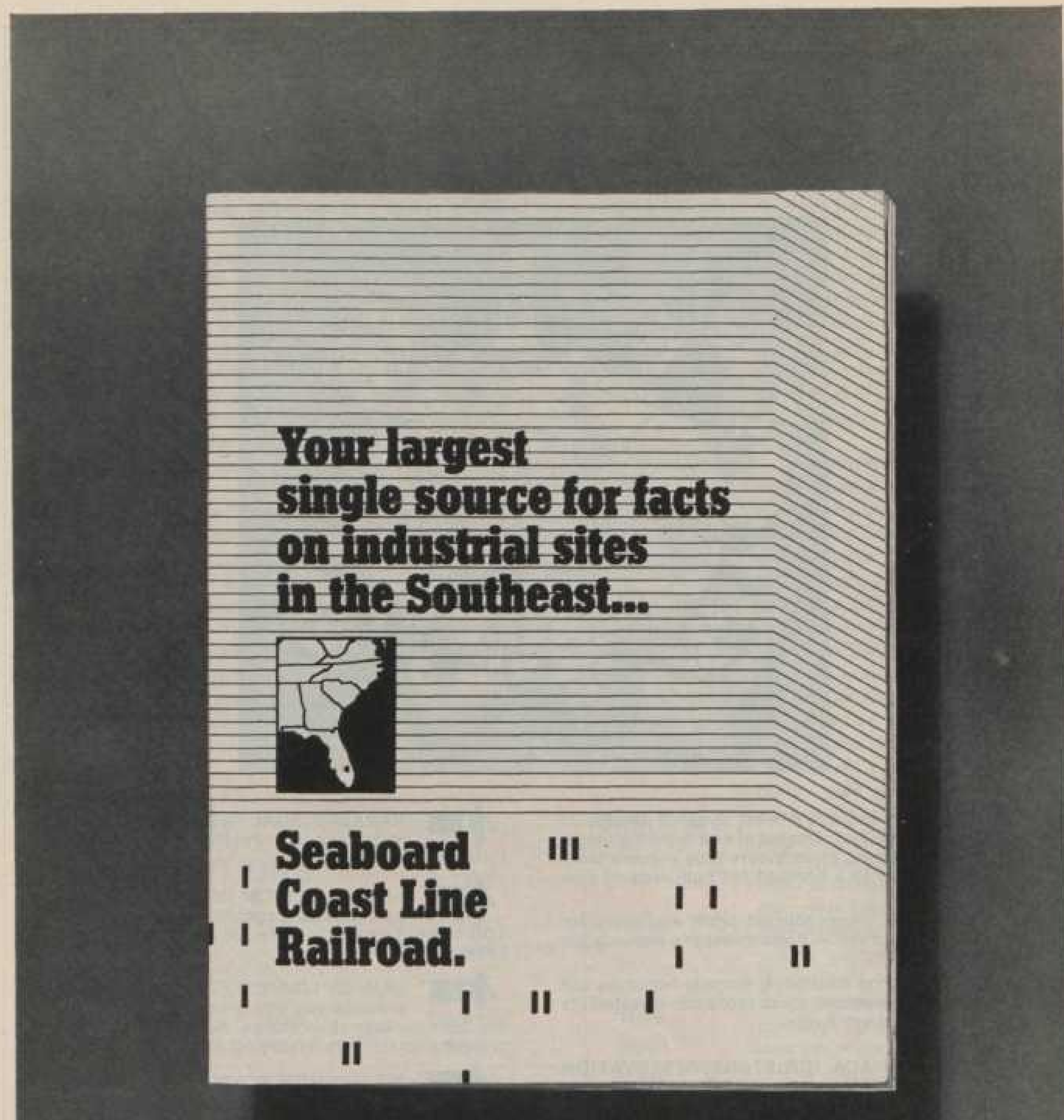
GAIN FROM STOCK OPTIONS

TABLE #5

Executive's average annual salary + bonus 1965–69 (000)	Company's annual growth rate Low (000)	Medium (000)	High (000)
$250	$380	$490	$730
$230	$350	$460	$695
$210	$315	$430	$660
$190	$280	$400	$630
$170	$250	$370	$595
$150	$215	$340	$560
$130	$180	$305	$530
$110	$145	$275	$495
$90	$110	$240	$460
$70	$80	$210	$425
$50	$45	$180	$395

This study was based on options exercised by the top three executives in each of 150 companies. Low growth-rate companies are those with an annual rate below 5 per cent; medium, those with growth rates of 5–12 per cent; high, those with growth rates above 12 per cent.

REPRINTS *of "Executive Pay—A Time of Dramatic Change" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*



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I certify that the statements made by me above are correct and complete.

WILLIAM W. OWENS, Business Manager

Will the Dollar Be Devalued via the Back Door?

DRAWING: JACK LEFKOWITZ

The worth of your home, savings accounts and insurance policies may be decided in faraway places. When you plan your own financial future, don't overlook the world monetary situation. It is getting stormier all the time.

Observers not easily swayed by governments' pat pronouncements have sensed this for a long while.

Almost two years ago, a very high official of a major country remarked at a social gathering: "Of course, floating exchange rates are what the world will finally have to settle for."

Then he realized his indiscretion, and his voice froze. For a man in office must always pretend that the value of his nation's money is beyond question.

An alert acquaintance who had overheard the comment and tried to pursue it was coolly told that each man must decide the trend of things for himself.

Now that trend is visible to more people, though they are still a relatively small circle of insiders. Few others would be likely to link such apparently isolated facts as these:

Last fall, the German government suddenly announced that the value of the Deutsche Mark would be allowed to float free for a time. More recently, Canada did the same thing with its dollar.

In each case, a government was breaking its treaty obligation to the International Monetary Fund—the quarter-century-old promise to buy or sell its own money whenever necessary to hold it within 1 per cent of a fixed rate in relation to other currencies.

The IMF and most of the world's governments overlooked the infractions, because they understood the internal problems that made them necessary. And now many governments—especially our own—are suggesting that such floating of currency might be made a regular and legitimate part of how the world's money system operates.

"So what is that to me?" some businessmen may say. "I'm not concerned with foreign exchange."

But the fact is that it means a lot to all of us, because foreign exchange rates are a prime indication of what

our money is worth. If its value abroad changes, that's usually because its buying power at home is changing.

And the fact that the international value of many currencies is becoming harder to keep in line points to one key fact: The inability of governments to control the true worth of their money.

The sale of money

Bear in mind what money is. It is a contract for the future delivery of goods or services; and since goods are made by people, it is really a call on the services of other human beings.

Its value can never be absolutely fixed forever, because no one can guarantee the price that men will exact for their labor in the future.

But the more stable the value, the more reasonably each of us can decide what to do with his money—to save or invest it prudently, rather than spend hastily or speculate in an attempt to use the paper before it loses value.

Historically, countries where money retains most of its worth, where bonds hold their own along with stocks, or where blue chip shares are more desired than speculative ones, have been the stablest societies.

What is happening to our money can best be judged by seeing it as part of a world picture. Imagine the globe as a great sea and the currencies of all the nations as a group of rafts tied together so people and goods can pass from one to the other.

The IMF rule that aims to prevent these rafts from moving more than 1 per cent above or below the level of the others is a form of discipline that becomes harder and harder to preserve as some rafts begin to bob and sway more vigorously than their neighbors.

At that point, the neighbors cry, "Control that raft! The movement is jolting all of us."

But the answer comes back, "No, it's too hard to hold it down. Let's loosen the ropes and allow each raft to float a little more freely."

Is anything like that really happening today? Precisely. The United States, supported by several European countries, is suggesting studies that probably would have two results: First, the device of letting a currency float entirely free for a while would become more common. And second, the old promise to keep rates within 1 per cent of the fixed parities would be relaxed to permit a leeway of 2 or even 3 per cent.

That doesn't sound like much; but if our money goes down 3 per cent and Germany's goes up 3 per cent, that's a 6 per cent devaluation of our dollar in relation to the mark.

It would help U. S. goods to compete with German ones. So the back-door devaluation of our dollar in comparison with stronger currencies is now being considered by the U. S. government.

Why we haven't devalued

The United States has been at a competitive disadvantage because the dollar's huge international role has prevented us from devaluing it as its true worth has ebbed.

Since World War II, there have been nearly 100 devaluations by other countries in the Free World, each one enabling some other country's goods to be more competitive in relation to ours. We alone have been denied that privilege.

If we tried to devalue the dollar outright, even at the risk of shaking up all world business confidence, other nations might quickly devalue their own monies too, to prevent us from gaining any trade advantage. So now we would like other countries to help us devalue a little—by letting their money float upward.

Many are balking; but in the end, by cooperation or by a brusque U. S. move, the value of monies will have to be adjusted to the realities.

To complete the picture, you ought to know where gold fits into it. Gold has been the main anchor of the world's currencies for thousands of years.

Most governments have tried to cheat by cheapening their money at one time or another.

Even before there was paper money, kings who needed cash to finance wars would clip little bits off each gold coin, keep all these chips and pretend the devalued coin was still worth as much as before.

In each case, after the whole system had come crashing down, only one stable thing remained: The knowledge that a certain weight of gold metal was at least as valuable as before—sometimes more, never less—anywhere in the world.

Today, things are said to be entirely different.

In the years since World War II, the degree of cooperation between nations has given rise to the belief that governments and people will value their promises and mutual arrangements more than they trust gold.

Not even the nagging evidence that rulers do not seem to have given up the habit of cheapening money has killed this hope.

For the moment, nevertheless, gold is still the anchor. The U. S. dollar is tied to it, and is the big king raft in the sea. The other currencies are tied to the dollar, and are linked to each other by many arrangements for mutual credit.

The eventual plan is to cast away from the gold anchor entirely—to "demonetize" it is the technical term. Maybe so. But the real facts of life don't make that seem entirely credible.

Most important countries still insist on holding a large part of their official reserves in the form of gold. They hold many dollars too—when they can earn fat interest rates on them. But they insist on holding a lot of gold which pays them no interest at all.

Why?

Obviously because they value gold as the surest of all assets.

The impact on you

You may not care whether currencies float and cheapen internationally. But the real condition that this symptomizes is very much your concern.

Looking ahead, one of two things seems bound to happen.

Either gold will really be de-emphasized as the anchor of all money—in which case the dollar will be tied to nothing, and the bobbing motion of

Will the Dollar Be Devalued via the Back Door? *continued*

all currencies will be apt to become even more pronounced.

Or else the world's continuing distrust of U. S. inflation will spur a new demand for gold, forcing us to devalue our money and admit that it takes more than 35 of our dollars to buy an ounce of gold. All currencies would then be tying up to the gold anchor again, but at a different water level.

We would be officially admitting what too many people have found to be the case during the recent years of inflation: That our dollar *has* been devalued, year by year, and that it doesn't buy as much as it was supposed to when it was earned.

And what practical results would either of these courses have on Americans as individuals?

Logically, either should mean endless inflation, making it desirable to own land, real estate and stocks, and to hold only minimum amounts of cash or fixed-income assets.

But bear in mind that economics is not only arithmetic; it is just as much a matter of psychology.

And the real question that can dominate the business future is this: Whenever the next turn in the monetary road is taken, will people react calmly or fearfully? If the latter, the standard inflation hedges could become white elephants for a while, and even devalued dollars might be more pleasant to own.

What would happen, for example, in case of a substantial dollar devaluation? It would not be done in one step, but in a series of grudging moves.

First, our continuing inflation would make foreign governments despair of ever getting their money's worth on dollars they hold. They would start turning them back to us and asking for gold from our Treasury.

At some point, the decline in our gold reserves would be quite noticeable. Our President, in order to safeguard what was left, would halt the sale of gold.

If the U. S. government were unwilling to accept its own dollars in exchange for gold, no one else would rate them above the metal either. The price of gold on the free markets would soar.

And after a short time, the United States would have to announce a new relationship between dollars and gold.

Imagine what days of uncertainty those would be.

Companies making import or export deals would have no way of knowing what the true price was going to be at the time of shipment. U. S. firms with billions invested abroad would be wondering about their value in relation to the new dollar that was going to emerge. People planning trips to or from the United States would not know what the cost might be.

The value of a dollar held or spent here at home would not be directly affected, but uncertainty about the future would stall trade, bank loans, investments.

Would everything resume smoothly when the dollar's new value had been set? Would business go on as usual?

Possibly. But the chance that traders and merchants and corporate boards would hold off deciding, until they were sure what others were going to do, is pretty great. If this or any other turn of events should make business cough rather than just hiccough, there is always the danger of a slowdown serious enough to throw all price and growth projections out the window.

Could there be deflation, rather than inflation?

Most modern economists say No—that the powers and devices now available to government would lift prices even if they didn't really cure the economy. Recalling that the New Deal Administration in the 1930s once even considered stimulating business by issuing welfare certificates that would have declined in value each day and become worthless after 60 days, we can imagine that a modern Administration would eventually find ways to make people spend.

But the frantic moments that occur while emergency solutions are sought and tried usually cause stocks and property to go begging for a time. Until it becomes generally realized that a new inflation is on the way, buyers with cash can pick up astonishing bargains.

Hedging your bets

The individual investor, wondering whether to gamble on inflation or deflation, should bear in mind that the world's top money managers never go for broke. The central bankers of major countries scatter their bets by keeping national reserves in a variety of forms.

Individuals should hedge their bets, too. Nobody knows exactly how the monetary situation will go—nobody. The confident public pronouncements that officials must make should be tempered by the knowledge that many leaders privately agree with the remark of Germany's respected Economics Minister Karl Schiller: "Somehow, one has the feeling that there is a worm in the apple."

To be ready for one of those possible moments when bargain prices might prevail, some wise money managers are keeping a quarter or a third of their wealth in the form of cash, Treasury bills, or other liquid, interest-bearing assets. Many also are keeping a certain amount in solid, high-yielding gold mine shares.

This leaves the rest of an individual's capital available for the more common investments that are based on optimism, especially good common stocks and real estate.

It is just as important to be prepared for a boom as for a bust.

There is certainly a better chance today than ever before that officials of various countries will cooperate to avert a global crisis.

Governments understand their interdependence more clearly, now. Perhaps no government will suddenly panic and rush for the lifeboats. Or if one does, maybe the others will refrain from following.

Like the best central bankers, we can only be certain of the uncertainties. —CHARLES A. CERAMI

BUSINESS A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

The 1970 census confirmed what had long been considered fact: Americans are continuing to migrate from the farm to urban areas. In the last decade, rural population dropped from 15 million to 10 million.

But that isn't all the story, experts note. Employment in private industries is increasing faster in rural and semirural areas than in metropolitan areas. The South, for example, now has more factory employment outside the metropolitan areas than inside.

With the industrial decentralization trend expected to continue, the focus is growing more intense on "the people left behind," according to National Planning Association officials.

Agricultural experts list three major areas that probably will receive more attention in the future: long-term land use adjustments, transitional price support programs and special assistance programs to retrain rural people into employables in the new industries.

CONSTRUCTION

Within a decade it may be customary for you to select and buy the roof over your head as you now do your auto—right from a dealer's showroom. The dealer may be the man who today is a local developer.

On the other hand there are industry experts who don't think the traditional approaches to marketing and construction of housing will be replaced in the foreseeable future.

Most likely, both traditional and new approaches will be going strong by the '80s.

The systems builders, the new construction giants who are tooling up for the prototype programs for the Department of Housing and Urban Development's Operation Breakthrough, will have on hand afterwards a vast production capability. With an estimated $50 billion-plus annual market in the '70s for housing, these firms are not likely to repeat the planning errors committed after World War II by entrants into this field.

Already they are forming marketing organizations, either in-house or by acquisition of present developer firms. Which way to go with regard to parts—open or closed systems—is the subject of serious consideration. Guessing now is that the giants will follow the lead of the auto manufacturers and adopt closed systems. This would mean most parts would be unique to a single product line.

HUMAN RESOURCES

More and more businesses, faced with the continuing problem of finding and retaining competent people, will be tapping the resource pool offered by the Referral program.

This is a Defense Department effort to assist the employer looking for the mature, motivated man in the 39-48 age bracket. As the National Association of Wholesaler-Distributors recently advised its members, these potential employees have some 20 productive years left in their working lives—and don't necessarily expect to start in for new employers as vice presidents.

Defense estimates that 60,000 to 65,000 such men annually will be leaving the armed forces for civilian careers. Key point is that they are not retiring in the strict sense. Desire to help them find those second careers prompted creation of Referral, a computerized man-job matching system. Starting Aug. 1, prospective employers began submitting job requirements to DoD's Centralized Referral Activity at the Defense Electronic Supply Center, Dayton, Ohio.

Job-seekers can register six months prior to leaving active duty. They stay in the data bank for six months after leaving service, or until they find their first jobs. They can't return to the program after that.

Defense provides prospective employers with resumés. The cost—nothing to the job-hunter or the employer.

CREDIT AND FINANCE

The consumer of tomorrow should be a more skillful user of credit than the consumer of today—at least if credit education has had any effect.

One of the educators is the National Consumer Finance Association, which believes the average consumer at this point is a good credit user, but hopes to make him a better one.

Over the past 12 years some four million public and private school students have been exposed to courses in financial planning and credit, in which instruction kits mailed out by the Association have been employed. It sends more than 30,000 kits to teachers annually.

Many of these students are now entering the marketplace.

Dr. Carl F. Hawver, executive vice president of the Association, contends education is the best answer to protection of the lender and the borrower.

MANUFACTURING

Demand from growing economies and emerging nations is expected to boost world-wide steel production to one billion net tons by 1980. To expand to this level of output (629 million short tons were produced in 1969) will require further investment of over $200 billion.

That is the estimate of Edwin H. Gott, board chairman of U. S. Steel, who notes that an additional 165-185 million net tons of coal will be needed to achieve the higher production rate, along with 45-55 million tons of new oil supplies, 40 million more kilowatts of electric power, and an extra 550 million net tons of ores and concentrates, mostly sized, sintered or pelletized.

Last year nearly 110 million tons of concentrates were fed into U. S. blast furnaces. And for the first time in this country, prereduced pellets, which contain upwards of 95 per cent iron, were used commercially in electric furnaces, bypassing blast furnaces.

The American Iron and Steel Institute says still another first was recorded in 1969—in the latter months of the year the oxygen process became dominant in raw steel manufacture in the U. S.

This process has been adopted so widely throughout the world that it seems certain to replace the open hearth process as the leading steelmaking process in the '70s. Steelman Gott envisions that some 375 million net tons of new capacity of all types will be built by 1980.

NATURAL RESOURCES

The recycling of minerals in the fight against pollution is going to have more impact on the extractive industries in the years ahead.

Take sulphur. One expert estimates that new control devices for industries that produce sulphur oxides, a prime cause of air pollution, would yield about 10 million tons of elemental sulphur annually. In time this could be a strong market factor.

Great potential also is envisioned for reclamation of aluminum—mainly from beverage cans—and of such minerals as zinc and mercury. Already, more lead is recycled each year than is mined.

TRANSPORTATION

Although there is a distinct possibility of further delays and even some cancellations, state and local officials are expected to continue efforts to get stalled key urban interstate highway projects off dead center.

Just 150 miles of construction would mean a $3.88 billion stimulant to the economy. Biggest roadblock is opposition by citizen groups, who cite preservation, pollution and displacement as reasons. But need for jobs as well as easing of urban transportation snarls are tempering factors.

To show what is involved, the Highway Users Federation for Safety and Mobility gives these statistics for processed and manufactured materials that would be used in the 150 miles of construction:

Two and one half million tons of steel; 34.8 million barrels of cement; 1.4 million tons of bitumens; 1.2 million tons of concrete pipe; 198 million board feet of lumber; 3.6 million linear feet of timber pilings; 348.6 million gallons of petroleum products; 26.5 million pounds of explosives and 211.7 million tons of sand, gravel, crushed stone and aggregates.

EDITORIAL | OF MEN AND ANGELS

Brother, can you spare a $1,000 bill?

That's what the proposed new national health insurance plan would cost you.

It's the brainchild of the late Walter Reuther, his successor Leonard Woodcock, Sen. Edward Kennedy and 15 other Senators.

Speaking for the Administration, HEW Under Secretary John Veneman warned that the cost would be about $77 billion a year, or more than $1,000 for each household.

There certainly are great health care needs in our prosperous country. If you found genuine solutions you'd be on the side of the angels, as everyone wants to be.

At least one in-depth study is under way to identify the needs and, hopefully, to propose solutions. (See "Memo From the Editor," page 7.)

Congress should be sure it has the facts before rushing in where angels fear to tread.

Mossy Pecan Marlite has the beauty of rare hardwood, but is priced to fit anyone's budget.

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Mediterranean influence is here to stay. Marlite captures its style in lovely Riviera paneling.

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Write for free information on Marlite for business or home interiors, or see your building materials dealer. Marlite Division of Masonite Corporation, Dept. 1170, Dover, Ohio 44622.

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